4. PUBLIC INVOLVEMENT

SB 257 4(2)(f)

This section is contained in binders labeled Section 4 Volumes 1 & 2

4. Public Involvement SB 257 4(2)(f)

THROUGHBRED ENERGY CAMPUS PUBLIC OUTREACH PROGRAM FOR KENTUCKIANS

TABLE OF CONTENTS

PROGRAM COMPONENTS

- A. Project Summary
- **B.** Public Outreach Summary
- C. Outreach Activities

APPENDICES

- A. Stakeholder Research
 - 1. Market Strategies Consumer Survey
 - 2. Focus Group Participants and Results
- B. Residents of Proposed Plant Community
 - 1. Initial News Conference Announcement
 - 2. Informal Mailing Program Materials
- C. Direct to General Public
 - 1. General Presentation
 - 2. Peabody Energy Web Site
- D. State, Local and National Media
 - 1. News Coverage
 - 2. News Releases
 - 3. Letters to the Editor
- E. Industry and Business Community
 - 1. Presentations
 - 2. PULSE Magazine Article
- F. Peabody Employees and Retirees in Kentucky
 - 1. Employee and Retiree Mailings
- G. State, Local and Federal Government
 - 1. Public Service Commission Presentation

THOROUGHBRED ENERGY CAMPUS PUBLIC OUTREACH PROGRAM FOR KENTUCKIANS

PROJECT SUMMARY

The Thoroughbred Energy Campus is a planned 1,500 megawatt coal-fueled electricity generation project near Central City in Muhlenberg County, Ky., representing energy solutions, environmental care and economic progress. The \$2.5 plus billion project would provide a reliable source of electricity for 1.5 million families and would be brought on-line between 2007 and 2008.

Modeled to dispatch electricity ahead of its competitors, Thoroughbred will help keep Kentucky energy prices among the very lowest in the nation. Kentucky's average cost of electricity is 4.3 cents per kilowatt hour, and about 97 percent of Kentucky's energy comes from coal.

With emissions that will be far better than the national average, Kentucky's best coal-fueled plants or what the law requires, Thoroughbred will be among the cleanest coal-fueled plants east of the Mississippi River. Thoroughbred will take Kentucky coal with a sulfur content of approximately 8 lbs. per million Btu and reduce the plant's sulfur dioxide emissions to 0.167. This compares favorably with the national average of 1.07 and is far stronger than the Clean Air Act limit of 0.85.

A driver of economic growth, Thoroughbred will create 450 permanent jobs, injecting \$700 million in new spending in Muhlenberg County and nearly \$100 million into the Kentucky economy each year. This equates to a more than \$3.35 billion economic injection over the project life.

PUBLIC OUTREACH SUMMARY

Peabody Energy, Thoroughbred Generating Companies owner has roots in Kentucky spanning nearly a half-century. The company employs more than 600 Kentuckians and operates seven surface and underground coal mining facilities in Muhlenberg, Union, Henderson and Ohio counties.

Consistent with a philosophy of maintaining open and candid communications, Thoroughbred has engaged in a broad, sustained outreach program to cultivate understanding and support for developing the Thoroughbred Energy Campus. From the genesis of the project through the present day, Thoroughbred has communicated with hundreds of residents, business owners and elected leaders as well as dozens of industry and community groups.

As a result, the project enjoys strong bipartisan support from government officials at local, county, state and federal levels because it represents improved environmental performance, a stronger economy, greater national security and jobs and low-cost energy for Kentuckians.

Says Drakesboro Mayor Richard Neathamer: "Coal is the heart of Muhlenberg County. People see this (project) as hope. Jobs are important." Central City Mayor Hugh Sweatt Jr., who has been closely involved in project planning also agrees. "I want to see this happen, and I want to see this happen here." ("Peabody's Return," Feb. 10, 2002, Louisville Courier Journal.)

Communication Objectives

The foundation for Thoroughbred's outreach program began with research that included a Kentucky survey and dozens of informational meetings with local and state officials. Based on the research findings, Thoroughbred designed a comprehensive outreach program designed to:

- Improve understanding about Kentucky's energy climate and the need for low-cost base-load generation
- Promote the project's use of advanced technologies to protect the environment
- Build awareness about Thoroughbred's projected \$100 million annual economic benefit to Kentucky and creation of 450 jobs

Target Stakeholders

The plan targets key Kentucky stakeholders, which include:

- Businesses community
- Federal government
- Governor's office
- General public
- Industry leaders
- Peabody employees and retirees in Kentucky
- Residents near the proposed energy campus
- State legislators
- State and local government agencies
- State and local government officials
- State, local and national media

Communication Tools

A full range of traditional public outreach tactics include:

- Community meetings
- Direct mail
- Internet presence
- Media outreach
- Presentations
- Legislative and Regulatory Testimony
- Stakeholder Research
- Third-Party Consultations

Thoroughbred continues to focus significant resources on outreach in the Muhlenberg county communities where the Thoroughbred Energy Campus would be sited and where the immediate impact is greatest, complementing broad outreach efforts throughout Kentucky. This approach has effectively built grassroots support. As an example, Kentucky residents and community leaders spoke in overwhelming support of Thoroughbred at a public hearing held in Central City in February 2002.

"It (Thoroughbred Energy Campus) would be a major boost to this county. It would have a major impact on our school system. It would have a major impact on things like the coal severance money that we use in this county. Coal severance money is very important to us."

- Rodney Kirtley, County Judge Executive

"This proposed energy plant is convincingly state of the art, utilizing the best technology available to date, burning fossil fuel. Is it perfect? Of course it's not. But it certainly is a step in the right direction in meeting America's energy needs."

— Hugh Sweatt Jr., Mayor of Central City

"I've been reading in the paper about do we want to become the next energy colony? I would salute you and ask you to say that 'yes, we do.' Kentucky is in a position to become the energy giant to support not only Kentucky with our low-cost energy, but all of the East Coast and the major portion of residents of the United States of America."

— Danny Koon, Executive Director of the Madisonville, Hopkins County Economic Development Corporation

"Without this type of technology, it's not going to be feasible to continue to burn the coal that God put here three hundred million years ago. We need jobs. We need new technology to facilitate recovering the energy that God put here. And that's why we're asking for your approval of this permit."

— John Rogers, C&R Coal Company

OUTREACH ACTIVITIES

Stakeholder Research

To better understand the awareness, perspectives and concerns of Kentucky residents, Peabody commissioned Market Strategies to conduct a consumer survey of 555 Kentucky residents (adults aged 18 and older) from December 27-29, 2000. Market Strategies completed 275 interviews in Western Kentucky, and the remaining 280 were completed with individuals from the balance of the state. The margin of error was approximately four percent.

The research was aimed at ascertaining:

- How Kentuckians feel about balancing their energy and environmental needs:
- How Kentuckians view coal-based energy; and
- Whether Kentuckians believe that new coal-fueled energy projects can be developed to protect the environment.

The research shows Kentuckians look favorably upon coal as an energy source and are willing to support the construction of coal-fueled plants. The most resonant messages centered on the importance of promoting economic growth and ensuring affordable energy. Ninety percent of Kentuckians believed that such a project would have a positive impact on the local economy, and more than half thought that the owners of the proposed project would properly address local environmental concerns.

- To ensure that the company was reaching all interested and affected target audiences, Peabody conducted a stakeholder assessment. From this assessment, the company developed a database comprised of hundreds of contacts to ensure ongoing outreach to broad audiences.
- As the public comment period proceeded, Peabody also conducted two focus groups, one comprised of 10 consumers and the other of 10 opinion leaders with a representative sample of citizens. (A-3) The objective was to ascertain perceptions and opinions regarding Peabody's planned electricity generating station.

The research showed that consumers understand the importance of coal for generating low-cost electricity. While there is low interest in the issue given the lack of an energy crisis facing the state, focus group participants generally supported the concept of a new coal-fueled energy plant in the state. They are most concerned about the environmental and economic impact and wanted to know about specific benefits for Kentucky.

Residents of Proposed Plant Community

- Recognizing that initial interest and potential concerns would be greatest in the communities nearest to the plant, Peabody worked with the mayor of Central City, the county executive judge, the governor's office and the Kentucky delegation to plan a community news conference to announce the project. The announcement was made in Central City on Feb. 12, 2001, drawing approximately 300 individuals.
- As the project continued through the permitting process, Peabody administered an informational mailing program to keep the more than 250 residents within a two-mile radius of the plant updated on key issues and progress of the plant development.
- Peabody fielded several thousand inquiries regarding the proposed plant.
 The vast majority of these inquiries were employment related. The company has received over 2000 resumes from local area residents since the summer of 2001.

Direct to General Public

- Peabody representatives have made numerous public presentations at community and civic programs and events, reaching hundreds of stakeholders.
- Recognizing the importance of the Internet as a source of consumer information, Peabody developed a section devoted to Thoroughbred on its company Web site (<u>www.PeabodyEnergy.com</u>). The company also used a Thoroughbred e-mail address to field inquiries and address individual requests.
- As part of the public comment process for the draft air permit, Peabody participated in two public hearings in 2002. The company presented testimony at the first public hearing held on Feb. 12 in Central City. About 300 residents from the surrounding community attended the public hearing that lasted for more than three hours. During the hearing, 30 community members testified showing overwhelming support for developing the plant.
- A second two-hour public hearing was conducted July 25 in Greenville that drew approximately 350 residents. About a dozen people testified, including Central City Mayor High Sweatt Jr., a representative for County Executive Judge Rodney Kirtley and a representative for U.S. Senator Jim Bunning. Participants supported plant development. A key concern was ensuring local jobs, which would help drive economic recovery in the area.

State, Local and National Media

• An ongoing, comprehensive media outreach program has generated extensive regional media coverage in Kentucky and in neighboring states. Tactics have included conducting media briefings, issuing ongoing news releases as project updates, conducting editorial board meetings with local and regional newspapers, participating in numerous interviews and maintaining a rapid response strategy for addressing coverage that is inaccurate or incomplete. Major newspapers that featured coverage include: The Frankfort State Journal (daily circulation of 10,264), Louisville Courier-Journal (222,332), Lexington Herald-Leader (107,670) and the St. Louis Post-Dispatch (290,000).

Industry and Business Community

- As part of Peabody's ongoing efforts to keep as many residents and interested parties informed as possible, the company has given presentations to several business-related groups. These include: The Kentucky Economic Development Association (Aug. 7, 2001), The Pennyville Area Economic Development Council (March 11, 2002), and the Kentucky New Economy Consortium (Feb. 12 & April 12, 2002). These groups have a wide-ranging membership including local mayors and judges; representatives of the University of Kentucky, University of Louisville, and Murray State University; and personnel from the state-supported Technology Center.
- Efforts to educate industry leaders have included speeches and presentations to industry associations, including the Kentucky Industrial Utility Customers (Feb. 14, 2002), the Independent Oil & Gas Producers, the Eastern Coal Council (May 21, 2002), Kentucky Coal Council (June 17,2002), etc.
- In addition, Peabody has provided speakers for presentations at industry conferences such as a conference on power projects sponsored by Forbes Magazine and the Electric Power 2002 conference (March 19, 2002). These meetings highlighted Thoroughbred's innovative approach to using Kentucky's abundant and affordable coal resources to provide affordable energy in an environmentally sound way.
- Peabody representatives have also made numerous presentations to local business groups including the Muhlenberg County Chamber of Commerce (Aug. 7, 2001) and the local chapter of the Lions Club (August 7, 2001).

Following is a list of major presentations in 2002 and 2003:

- Western Conference of Public Service Commissioners Empowering State Through Regional Electricity Entities June 25, 2003
 Jacob Williams, Vice President-Generation Development
- FERC's Midwestern Infrastructure Conference (SE vs Midwest)
 November 13, 2002
 Dianna Tickner, President, Thoroughbred Generating Station
- Industrial Energy Consumers of America (IECA)
 Coal P9olicy Leaders Forum
 November 13, 2002
 Dianna Tickner, President, Thoroughbred Generating Station
- Optimizing Clean Coal Generation (Marcus Evans Conference)
 November 12, 2002
 Dianna Tickner, President, Thoroughbred Generating Station
- Coal Utilization Research Council November 5, 2002
 Dianna Tickner, President, Thoroughbred Generating Station
- Kentucky Mineral Law Conference
 October 10, 2002
 Jacob Williams, Vice President-Generation Development
- ABA Section of Environment, Energy and Resources Fall Meeting October 9-13, 2002
 Dianna Tickner, President, Thoroughbred Generating Station
- CIBO
 September 11, 2002
 Jacob Williams, Vice President-Generation Development
- Burns & McDonnell Third Annual Coal-Fueled Generation Symposium September 5, 2002
 Dianna Tickner, President, Thoroughbred Generating Station Attendees: Approximately 100

Coal Generation 2002

August 1, 2002

Jacob Williams, Vice President-Generation Development

Attendees: Approximately 400

Thoroughbred Energy Campus

Public Hearing, Greenville, Ky.

Roger Walcott, Jr., Executive Vice President of Corporate Development

July 25, 2002

Attendees: Approximately 350 individuals

Thoroughbred Energy Campus

North Carolina Coal Institute

Jacob Williams, Vice President-Generation Development

July 8, 2002

Attendees: Approximately 200

Eastern Coal Council

Coal: Energy Security Conference

Dianna Tickner, President, Thoroughbred Generating Station

May 21, 2002

Attendees: Approximately 70 individuals

Need for Coal-Based Generation

Platts Coal Properties Conference

Jacob Williams, Vice President-Generation Development

April 23, 2002

Attendees: Approximately 40 individuals

 Sound Energy & Environmental Progress: Necessary & Compatible Developing, Constructing, Operating & Securing Energy Power Projects Jacob Williams, Vice President-Generation Development

April 19, 2002

Attendees: Approximately 20 individuals

New Coal-Based Generation

University of Kentucky

Dianna Tickner, President, Thoroughbred Generating Station

April 16, 2002

Attendees: Approximately 50 individuals

• Sound Energy & Environmental Progress: Necessary & Compatible

Electric Power 2002

Jacob Williams, Vice President-Generation Development

March 19, 2002

Attendees: Approximately 40 individuals

Need for New U.S. Coal Based Generation & Expansion of HV Transmissions
Siemens World Power Conference
Jacob Williams, Vice President-Generation Development
Feb. 18, 2002
Attendees: Approximately 300 individuals

Energy & Mineral Law Conference
 Jacob Williams, Vice President-Generation Development
 Feb. 16, 2002
 Attendees: Approximately 40 individuals

Thoroughbred Energy Campus
 Public Hearing, Central City, KY
 Roger Walcott, Jr., Executive Vice President of Corporate Development
 February 12, 2002
 Attendees: Approximately 300 individuals

Thoroughbred Energy Campus
 Environmental Care/ Economic Progress/ Energy Solutions
 Public Service Commission
 Jacob Williams, Vice President-Generation Development
 February 2002
 Attendees: Commissioners and numerous staff

 To keep local, regional and national business audiences informed about the Thoroughbred protect, Peabody has included updates in its 2000 and 2001 annual reports, which reach (50,000) stakeholders including the national financial, business community and the public. The project was highlighted in PULSE, Peabody's magazine for stakeholders. The publication reaches more than 25,000 people and is geared to employees, media and individuals and groups in the coal and energy industries.

Peabody Employees and Retirees in Kentucky

- Peabody's current and retired employees number almost 3,000 in the state.
 The company has maintained an ongoing program of informational mailings to keep employees and retirees informed as the Thoroughbred project moves forward.
- Regular internal updates have been conducted as part of a broad employee communication program. These include employee meetings, Intranet postings and comprehensive updates in the company magazine, PULSE. Peabody has about 5,500 employees, which includes about 600 employees in Kentucky.

State, Local and Federal Government

- Peabody has performed extensive outreach and continues to maintain ongoing dialogue with members of the Kentucky General Assembly. From its initial concept phase through the present day, the company has worked with legislators and their staffs to ensure two-way communication.
- Even before the project was announced to the public in Central City in February 2001, Peabody began outreach to the key officials in Muhlenberg County, which included extensive meetings with County Judge Executive Rodney Kirtley and the Mayor of Central City, Hugh Sweatt, Jr. Over the past two years, Peabody has worked closely with local leadership to promote understanding energy solutions, environmental care and economic progress.
- Peabody has initiated a host of meetings and ongoing conversations with Governor Paul Patton and his designated staff representatives. Among these contacts have been the governor's chief of staff and legal aides.
- Within the executive branch, the company has had ongoing dialogue with the Secretary of the Natural Resources and Environmental Resources Cabinet. Under this cabinet umbrella, Peabody has also held discussions with the Commissioner of the Department for Environmental Protection.
- Peabody has given extensive and detailed presentations to the Public Service Commission, which has included the Chairman and Executive Director.
- Peabody has taken many opportunities to make presentations to government agencies and organizations, such as the Kentucky Energy Advisory Board and the Governor's Economic Task Force (March, 15, 2002).
- In addition to the local and state outreach, Peabody has maintained openended dialogue with its federal Congressional representatives. This has included dialogue with Senators Mitch McConnell and Jim Bunning, Representative Ed Whitfield, and other members of the Kentucky delegation that show support.

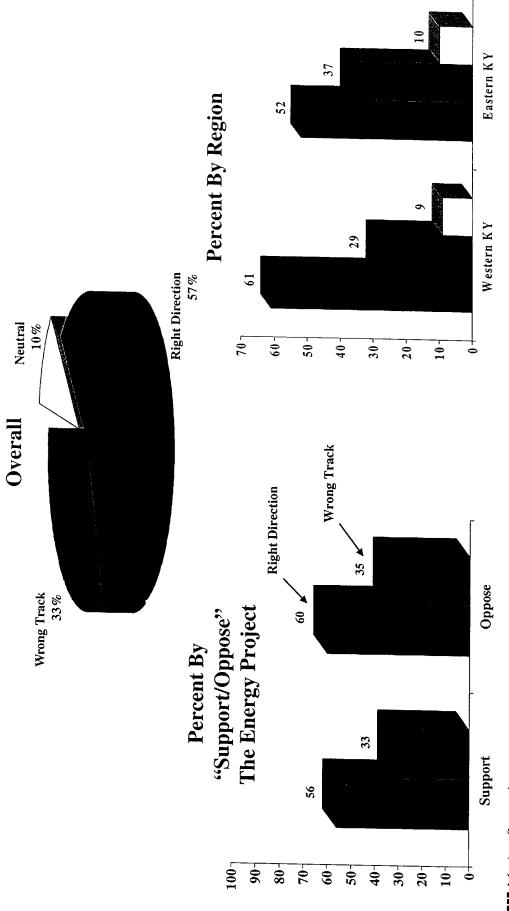
Stakeholder Research

Community Impact Study Kentucky Energy Survey/

Presented to:
The Hawthorn Group
Peabody Coal

Market Strategies, Inc. January 11, 2001

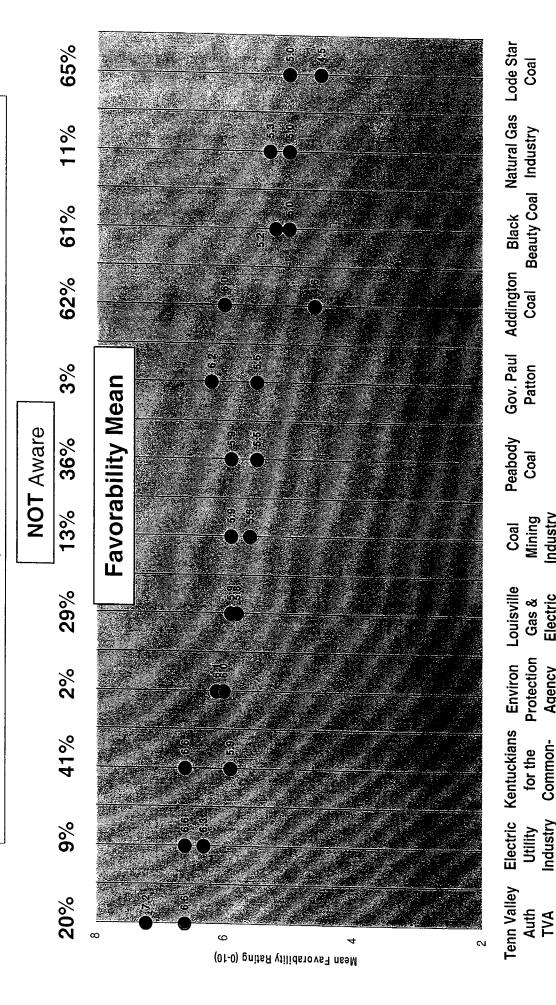
How do you feel about the direction in which Kentucky is generally going?



III Market Strategies

Awareness and Favorability

I will now read you a list of organizations and individuals. As I read each one, please tell me how favorable you are toward each one using a scale of 0 to 10 where 0 means very unfavorable and 10 means very favorable. If you've not heard of these, just let me know and we'll move on to the next.

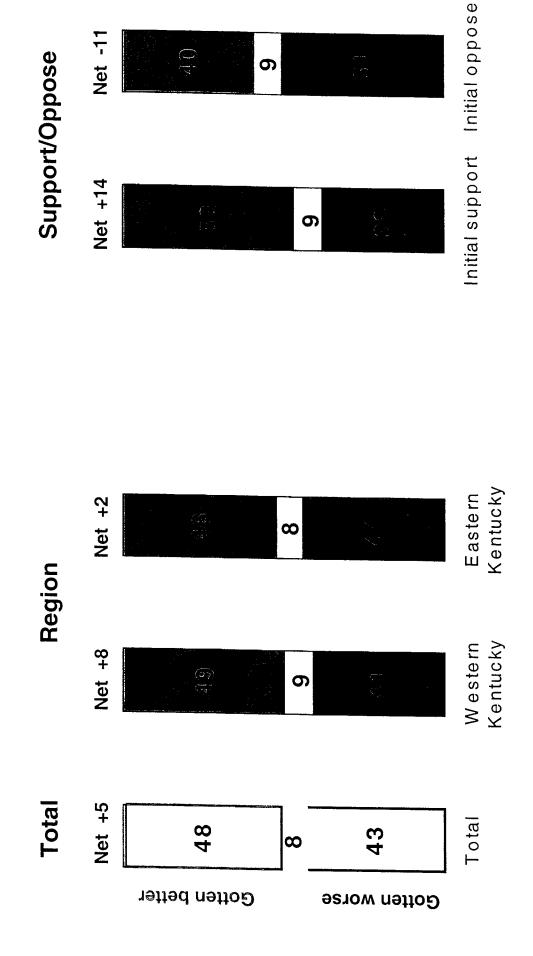


Mining Industry Electric LG&E Agency EPA for the Commonwealth Utility Industry Market Strategies

Western Kentucky

Eastern Kentucky

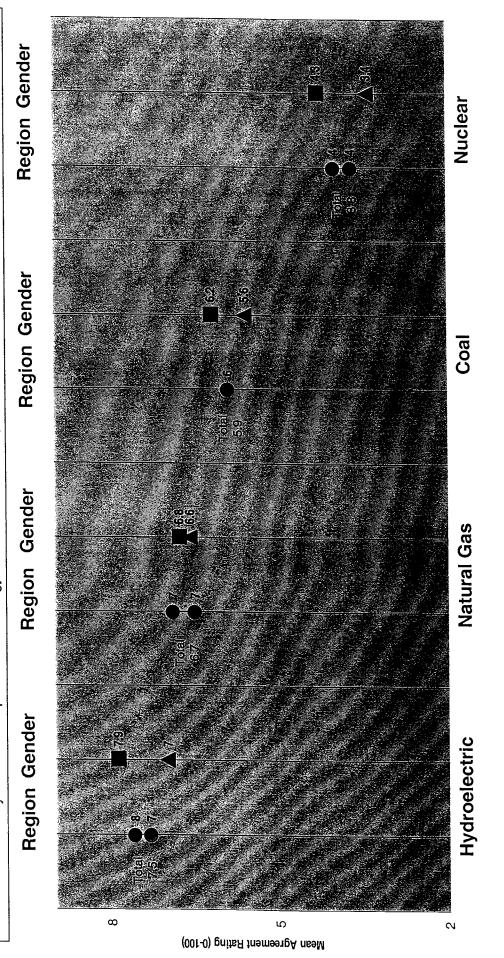
Thinking about the environment in America today, do you feel that the environment has improved or has gotten worse in recent years?



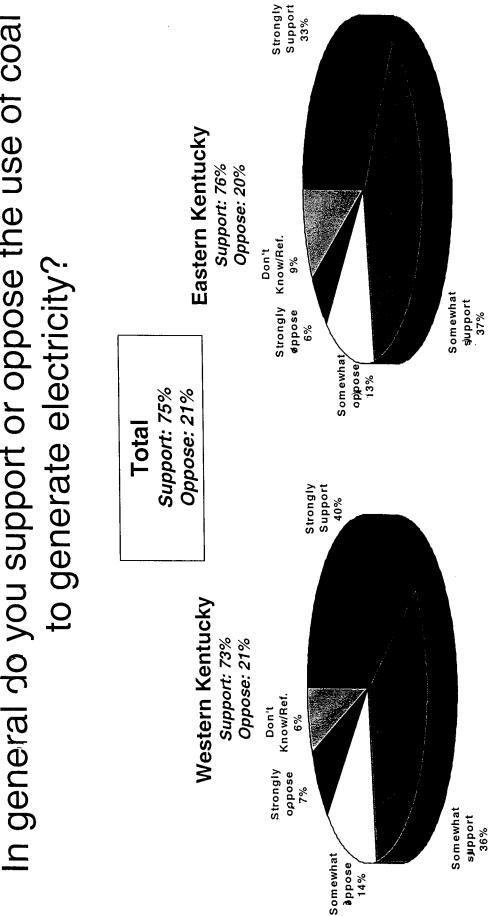
Market Strategies

Energy Sources

describe your opinion of that energy source taking into account its overall cost, practicality and environmental impact. A score of 0 means you I want to talk for a moment about the various ways in which we produce electricity in America today. For each, please use a 0 to 10 scale to have a very unfavorable opinion of that energy source and 10 means you have a very favorable opinion of that energy source.

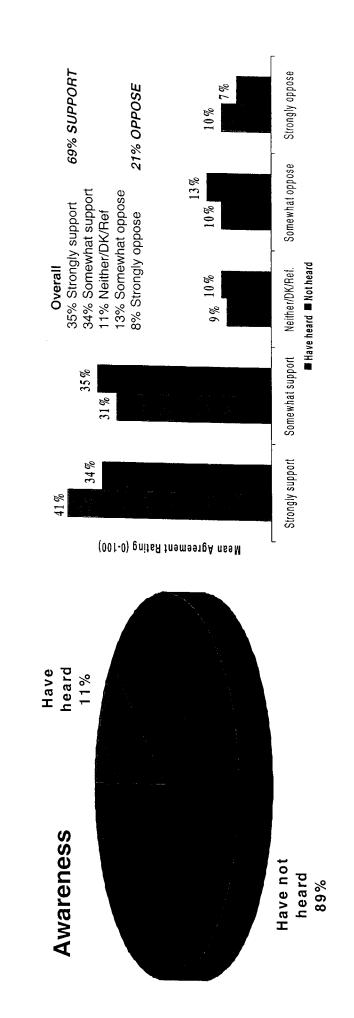


In general do you support or oppose the use of coal

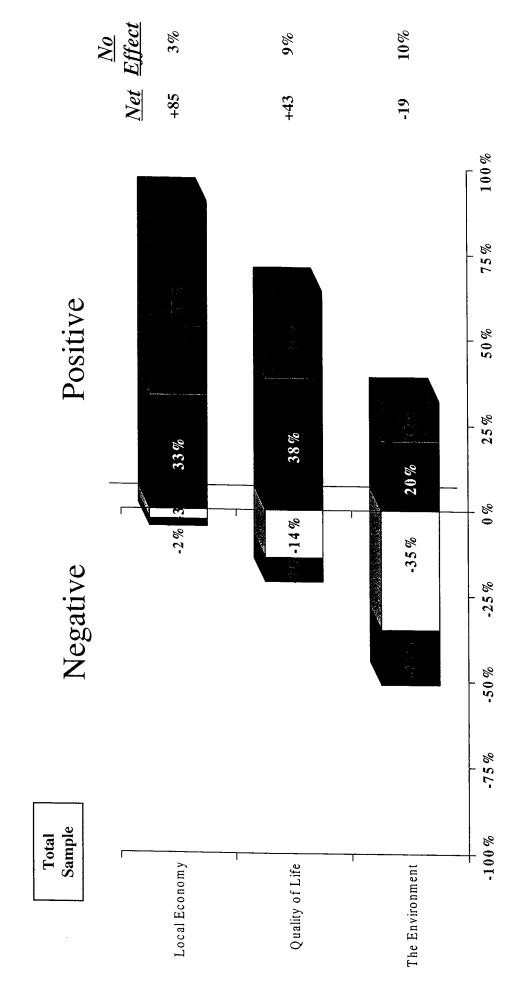


Have you read, seen or heard anything about plans for the construction of a proposed coalbased electricity generating project or "power plant" in the western part of the state?

Do you support or oppose the construction of a proposed coal-based electricity generating project in Western Kentucky? And would you say that would be strongly or somewhat?



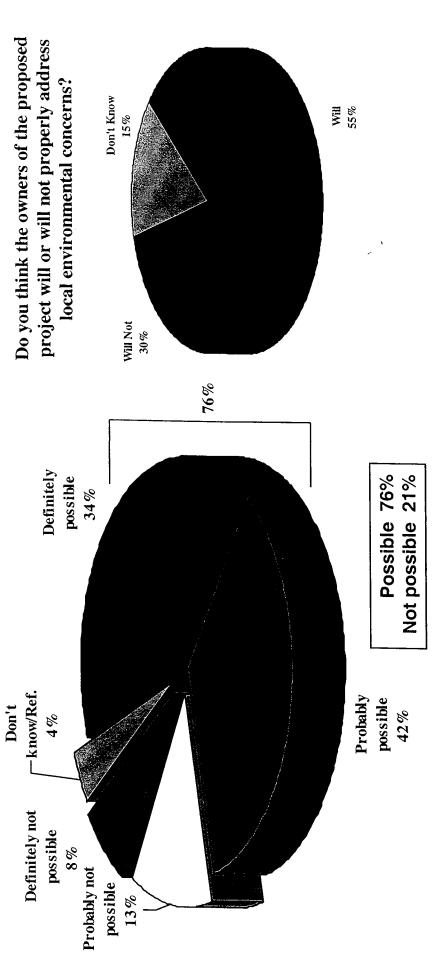
considered for Western Kentucky. For each one, please tell me if Here are some considerations about the proposed energy project you think it will have a positive effect or negative effect on it.



■ Market Strategies

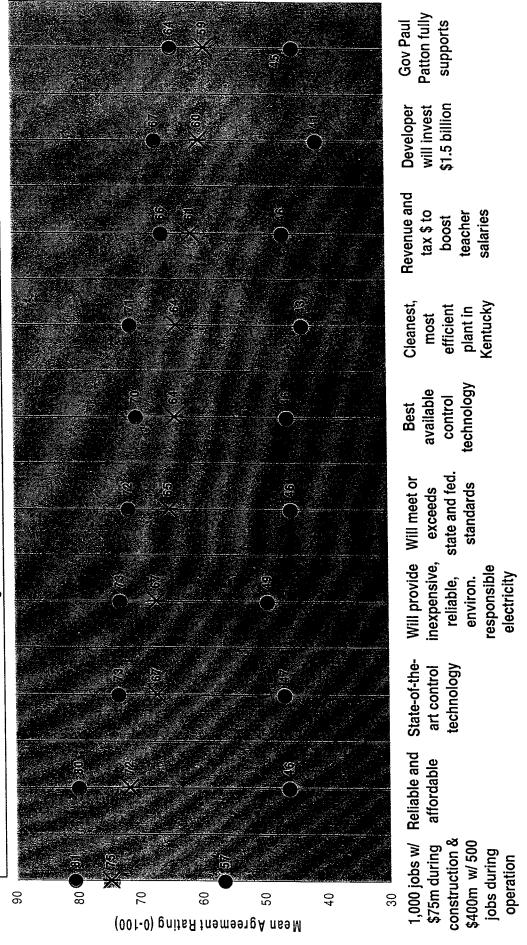
Environmental Impact

Do you think it is or is not possible to build this electricity generating project while protecting the environment of the surrounding area?



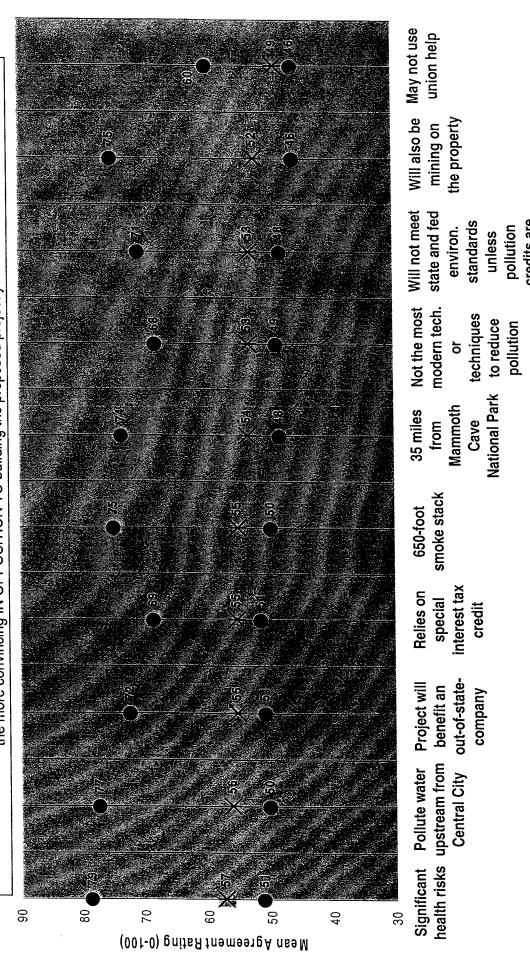
Here are some statements IN FAVOR OF the project

means extremely convincing and 0 means not at all convincing. You can use any number from 0 to 100, the higher the number is Now I am going to read you a (another) series of statements about this electricity generating project. I would like you to tell me how convincing in support of the proposed project you think each of the following statements is on a 0 to 100 scale where 100 the more convincing IN SUPPORT OF building the proposed project you think it is.



Here are some statements IN OPPOSITION TO the project

means extremely convincing and 0 means not at all convincing. You can use any number from 0 to 100, the higher the number is how convincing in opposition to the proposed project you think each of the following statements is on a 0 to 100 scale where 100 Now I am going to read you a (another) series of statements about this electricity generating project. I would like you to tell me the more convincing IN OPPOSITION TO building the proposed project you think it is.

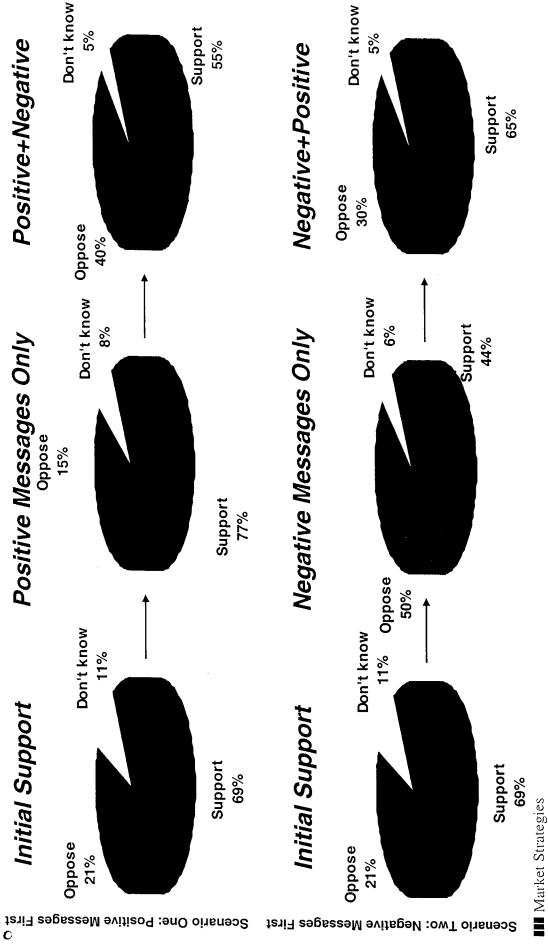


purchased

● Support ● Oppose 滅Total

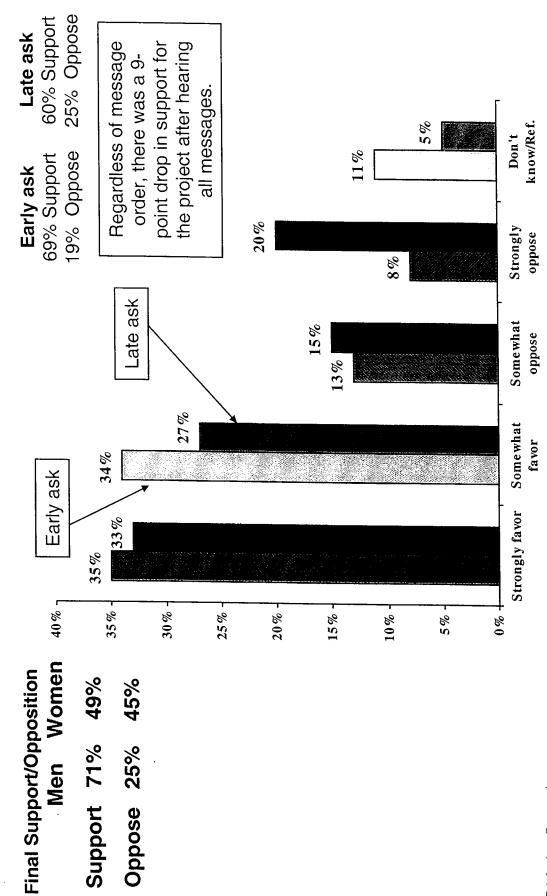
Final Support/Opposition

Now that we have had a chance to talk a little bit more about the proposed project, do you favor or oppose the building of this electricity generating project in Western Kentucky?



Final Support/Opposition

Now that we have had a chance to talk a little bit more about the proposed project, do you favor or oppose the building of this electricity generating project in Western Kentucky?



Rationale For Support/Opposition

Open-End Question Responses

Support

- Provides job opportunities/employment 34%
- •Coal is a readily available resource 27%
- *Coal is cheaper/It will lower energy rates 22%
- Helpful for the local economy 18%

Oppose

- •It is not environmentally friendly 63%
- •Strip mining 21%
- •Health hazard 11%
- \cdot There are more feasible alternative sources 10%
- •Natural resource that cannot be replaced 8%

What else would you like to hear about this proposed project?

Open-End Question Responses

Initial Supporters

•Information regarding environmental concerns 17%

•When they are going to begin building it 12%

Location/Where are they going to build it? 10%

•Who is building it. 9%

•Effects on employment/economy 9%

Initial Opposition

•Information regarding environmental concerns 22%

•When they are going to begin building it 12%

•Who is building it 6%

•Effects on employment/economy 5%

28% of respondents moved toward opposing the proposed project

Moved to Oppose

•Information regarding environmental concerns 19%

Location/Where are they going to build it? 7%

•When they are going to begin building it 6%

•Effects on employment/economy 6%

Conclusions

- There is a net reservoir of local goodwill but...
- Silence is deadly
- The impact of opposition messages is cumulative...and significant
- Positive messages are defensive...but important
- Expect favorability/support slippage
- The challenge: minimize slippage
- Communications goal: bookend messages
- Still unknown--the impact from national environmental response but anticipate negative

Residents of Proposed Plant Community

<u>Peabody</u>

News Release

CONTACT: Vic Svec (314) 342-7768

FOR IMMEDIATE RELEASE

February 12, 2002

INDEPENDENT STUDY: PEABODY'S PROPOSED THOROUGHBRED PROJECT MEANS \$3.35 BILLION TO KENTUCKY ECONOMY

ST. LOUIS, Feb. 12 – Peabody Energy today announced the results of an independent economic study that concludes the proposed Thoroughbred Energy Campus would inject \$3.35 billion into the Kentucky economy in new spending, job creation and induced economic activity during the life of the project. These benefits equate to a \$98 million economic injection each year.

Campus operations, which include development of a 1,500 megawatt coal-based power plant fueled by an adjacent underground mine, would create approximately 450 permanent jobs. These positions, coupled with the effect of anticipated economic activity, would create 45,000 job years throughout the project life and \$1.95 billion in new job-related wages and benefits. A job year is the equivalent one job held over a one-year period.

Muhlenberg County would gain \$704 million in new spending and nearly 10,000 job years, and the 17-county area surrounding the facility, which includes Muhlenberg, would benefit from \$2.62 billion in total economic spending and an average of 38,000 job years over the project life. Thoroughbred would begin generating power between 2005 and 2007 and will provide enough electricity for 1.5 million families.

"Development of the Thoroughbred Energy Campus brings enormous benefits to Kentucky on multiple levels," said Roger Walcott, executive vice president of corporate development. "The project will fuel tremendous economic prosperity today and for decades to come, while balancing the region's energy needs with environmental goals."

Thoroughbred is modeled to be the lowest-emitting 1,500 megawatt pulverized coal plant east of the Mississippi River and will have no significant contribution to the area's scenic views. The plant is modeled at a dispatch position that is ahead of the region's coal plants and gas plants, as well as below some nuclear plants, which means it will help keep Kentucky's energy prices low. About 97 percent of Kentucky's electricity comes from coal, which results in some of the lowest electricity prices in the nation at 4.2 cents per kilowatt hour.

THOROUGHBRED WILL INJECT \$3.35 BILLION INTO KENTUCKY -- ADD ONE

The Thoroughbred economic study was developed by an independent firm and is based upon project assumptions provided by Peabody Energy. It details the project's estimated value for the commonwealth and area communities in terms of direct and indirect benefits as well as induced impacts or "household spending" by facility employees and other workers associated with the project.

Peabody Energy (NYSE: BTU) is the world's largest private-sector coal company. Its coal products fuel more than 9 percent of all U.S. electricity generation and 2.5 percent of worldwide electricity generation.

Dear Resident:

Peabody Group has begun a formal regulatory process for developing the Thoroughbred Energy Campus, a proposed 1,500 megawatt coal-based power plant and six million ton-per-year underground coal mining facility in Muhlenberg County. Thoroughbred plans to use proven, state-of-the-art emission controls to achieve air quality standards protecting public health while keeping our region's energy supply strong and reliable.

Every aspect of the \$1.5 billion facility is being designed to ensure full compliance with state and federal environmental laws governing the operations. As modeled, Thoroughbred would be the cleanest 1,500 megawatt coal-based power plant east of the Mississippi River, based on statistics from Resource Data International. The attached background provides you with the facts about the planned campus.

We intend to periodically communicate information about the Thoroughbred Energy Campus and would like to keep you informed about the project. If you would like to be included in our database to receive ongoing project updates, please e-mail your name and address to thoroughbredenergy@peabodygroup.com. If you have additional questions, you also are welcome to contact Steve Bowles at 866-224-5612 or our local office at 270-338-0311. Thank you for your interest and support.

Sincerely,

Kenny A. Allen Midwest Operations Manager

Facts About Thoroughbred Energy Campus

Growing Energy Needs

Many experts believe that during the 1990s, the United States did not build enough electric generating capacity to keep up with demand. These effects are being experienced in a number of states such as California, where the governor declared an official state of emergency and parts of the state endured rolling blackouts during an attempt to preserve power.

Last year, the nation's use of electricity grew 5 percent; over the next two decades, the increased appetite for electricity is expected to exceed 40 percent, according to the U.S. Energy Information Administration. Kentucky and surrounding areas are expected to need 30 percent more electricity generation to keep pace during this period.

The Thoroughbred Energy Campus is planned to begin providing electricity for 1.5 million homes as early as 2005. The project is being constructed to serve Kentucky and surrounding regions and would add power to the national grid.

State-of-the-Art Environmental Controls

Proven technologies will enable Thoroughbred to comply with all state and federal laws; the plant is modeled to achieve strict environmental controls. Under the Clean Air Act, new coal-based power plants cannot exceed emissions of 1.2 pounds of sulfur dioxide (SO2) per million British thermal unit (Btu) and .15 pounds of nitrogen oxides (NOx) per million Btu.

Thoroughbred emissions are modeled below these limits, emitting less than .30 pounds of SO2 per million Btu. The plant will use FGD technology that will provide a 97 percent removal efficiency. Emissions of .10 lbs. of NOx per million Btu also fall below U.S. EPA limits and will be achieved with a combination of low-NOx combustion technology and selective catalytic reduction. Up to 99.9 percent of particulates will be removed using advanced fabric filtration devices.

Economic Benefits

Thoroughbred is intended to provide benefits both through low cost energy and direct economic impacts. Today, coal supplies more than half of the nation's electricity and accounts for about 85 percent of U.S. fossil reserves. Nearly all of Kentucky's electricity comes from low cost, coal-based generation, which is why the state's average electricity prices are among the nation's lowest.

At Thoroughbred, Peabody's reclaimed lands would be turned into an energy campus providing jobs and economic benefits anticipated to annually inject \$80 million in direct benefits into the region once the project begins transmitting power. About 500 permanent coal mining and power plant jobs are expected to be created and about 1,000 jobs would be provided during construction. Direct payroll and benefits would exceed \$75 million during the four-year construction period.

In the spring of 2001, Thoroughbred is expected to open an office at the Career Advancement Center at 630 Cleaton Road in Central City, providing a local resource to answer questions about the project. Job and vendor information also will be made available as the project draws nearer to construction.

Direct to General Public

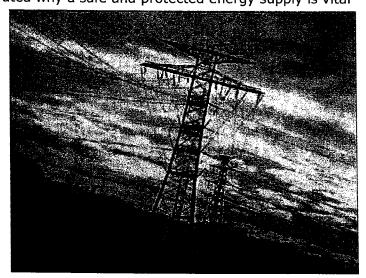
Generation Development

Operations/Products > Generation Development

Like no other time in history, the supply and security of America's energy system have taken center stage. Rolling blackouts dimmed schoolrooms and shopping malls. Consumers paid energy bills that were two and three times higher than the previous year. And world events demonstrated why a safe and protected energy supply is vital

to the nation's energy independence.

Renewed interest in baseload generation — and in particular, coal-fueled generation — has been buoyed by a 60 percent increase in electric load growth over the past 20 years while essentially no baseload plants were developed. Nuclear utilization has grown dramatically and today is running at maximum capacity. And hydropower is not expanding and is dependent on annual precipitation. America's energy system is running hard



and new generation is needed to keep pace.

Peabody is exploring generation development opportunities in areas of the country where electricity demand is strong and where the company has access to land, water, transmission lines and low-cost coal. Peabody is continuing to progress on the permitting, transmission access agreements and contractor-related activities for two clean, low-cost mine-mouth generating plants in Kentucky and Illinois that would serve about 3 million Midwest families. The company is also exploring the feasibility of developing a smaller, 300 megawatt generating station in New Mexico.

Thoroughbred | Prairie State

Thoroughbred Energy Campus

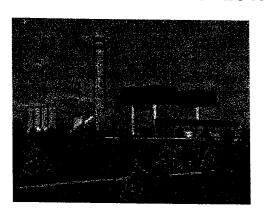
Operations/Products > Generation Development > Thoroughbred Energy

The Thoroughbred Energy Campus is a planned 1,500-megawatt coal-fueled electricity generation project near Central City in Muhlenberg County, Ky. The generating plant would use two, 750-megawatt pulverized coal units fueled by up to 6 million tons of coal per year produced from an adjacent underground mine. Thoroughbred is expected to deliver reliable electricity by 2005 to 2007 to approximately 1.5 million families in Kentucky and the Midwest.



Thoroughbred Energy is modeled to be the cleanest coal plant of its size in the Midwest, using advanced environmental controls. Learn more about the environmental controls planned for Thoroughbred and compare this technology to a typical coal plant by clicking here.

ENERGY SOLUTIONS: LOW-COST POWER



In 2000, the nation's need for electricity grew nearly 5 percent, according to the Edison Electric Institute. And the U.S. Energy Information Administration reports that the demand for electricity will increase 43 percent nationwide over the next two decades. In Kentucky, the demand for power could potentially grow 30 percent during that time.

Thoroughbred will provide reliable, low-cost electricity for 1.5 million homes in a manner that is environmentally sound. The plant is modeled at a **dispatch position** that is ahead

of all of the region's coal and gas plants and below some nuclear plants. This means Thoroughbred will benefit Kentuckians by continuing to help keep energy prices low. Kentucky enjoys electricity costs that average 4.2 cents per kilowatt hour, which are among the lowest rates in the nation. About 96 percent of Kentucky's electricity comes from coal.

ECONOMIC PROGRESS: JOBS AND PROSPERITY

Thoroughbred is expected to accelerate economic growth in the region, creating more than 450 permanent jobs and employing up to 2,500 workers during a four-year construction process. Once operational, the campus could annually inject nearly \$100 million in annual economic benefits or more than \$3.35 billion during the life of the project.

ENVIRONMENTAL CARE: HIGH EFFICIENCY, LOW EMISSIONS

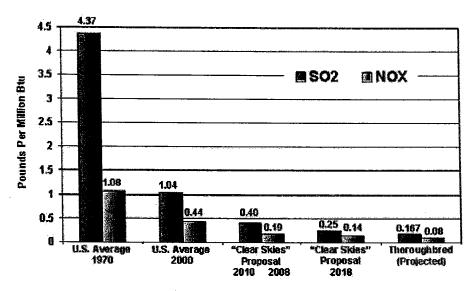
Electricity from coal has made enormous environmental progress in recent years. Through more than \$50 billion in investments over the past three decades, emissions from coal-fueled electricity have declined by more than 20 percent, even as coal use has tripled, according to the U.S. Environmental Protection Agency. And results for Kentucky are equally strong: In the past 20 years, sulfur dioxide emissions have been slashed by nearly half. Almost 50 percent of Kentucky's utilities use scrubbers, compared to the national average of 27 percent.

An industry-leading application of coal technologies will allow Thoroughbred to over comply with stringent Clean Air Act standards. Thoroughbred will be the cleanest coalfueled plant of its size east of the Mississippi River. Thoroughbred's emissions of sulfur dioxide (SO2) will be 86 percent below the average SO2 emissions rate for Kentucky coal plants. Its nitrogen oxide (NOx) emissions rate will be 84 percent below the Kentucky coal plant average. And virtually all particulates will be removed.

Thoroughbred is among a new generation of coal-fueled power plants designed to provide low-cost energy to meet growing needs while continuing to achieve the nation's environmental goals.

THOROUGHBRED ENERGY PROJECTED EMISSIONS

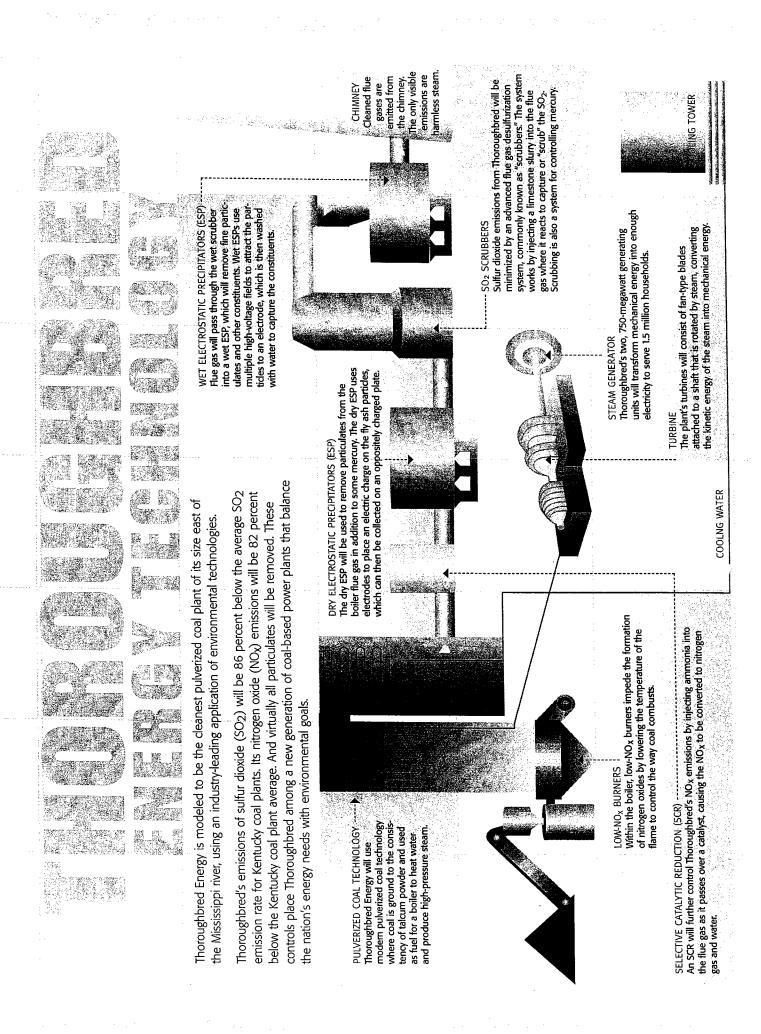
Advanced emission control technologies will make Thoroughbred the cleanest major coal-fueled plant east of the Mississippi River. Thoroughbred's emissions will be dramatically lower than the U.S. coal plant average and below proposed emission limits targeted well into the future.

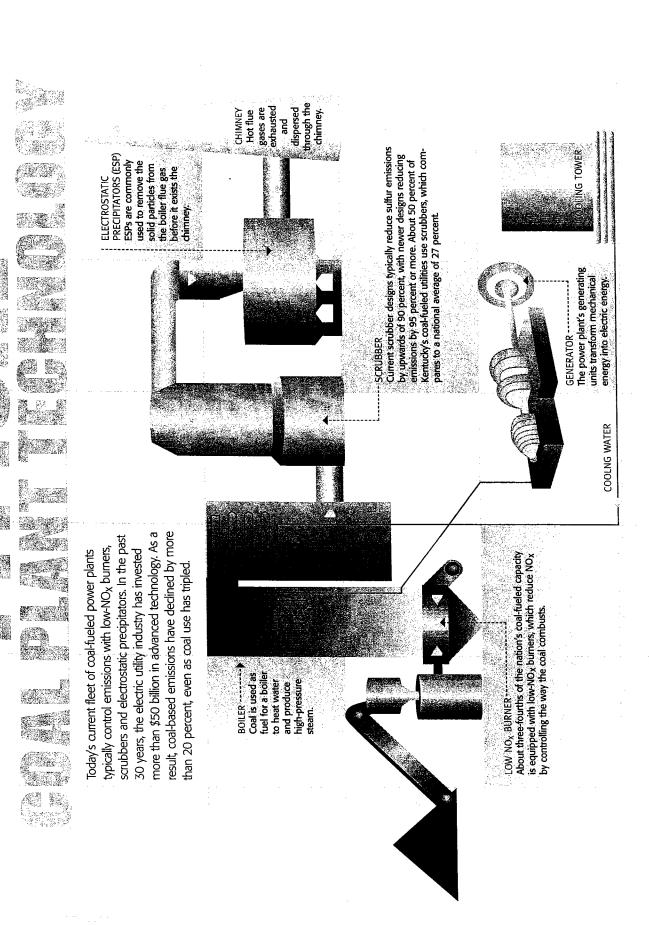


Source: U.S. Environmental Protection Agency Environmental Scorecard 2000; February 2002 "Clear Skies" Administration proposal; & U.S. Department of Energy 2002 Annual Energy Outlook:

If you have questions or want to learn more, please email us at **ThoroughbredEnergy@PeabodyEnergy.com** or call our Thoroughbred hotline at 270.338.0311.

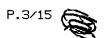
Generation Development | Prairie State





Thoroughbred Generating Company, LLC – Thoroughbred Generating Station 021-177-00077
Central City, Kentucky
February 12, 2002

	Sign In Sheet		
		Do you want to speak at this meeting?	
	PLEASE PRINT	Indicate Y for Yes and N for No	
was at	Hadred to stort	y	
cuty	DAVID JOHNSON	N	
8118	- Jimmy ARNOID.	y	
	JOHN APRETT	1	
	Dennis Dement	- W	
99	- DORA MERCER	1	
	CONN'S MERCER	79	
	Tim Thomas Coffice of Sen Melon.	Jell Y	
;	GEORGE FRANCE	N	
	CHARLIE TAPP	N .	
	Fred Maden	M	
÷.	KOBERT B. RHOADES	- M	
	Michelle Woodbur	+ N	
	DONAIN ROSEK		
	Butch Oldhan	N A	
	Ahna Cary Guffer Sen Jim Bun	MING IN	
•	Michael HARE Cars. Ed Whitfield	7 1	
	PERREII CHRISTMAS Tode Elswick	10	
	100C EISWICK		



Thoroughbred Generating Company, LLC – Thoroughbred Generating Station 021-177-00077
Central City, Kentucky

February 12, 2002

Sign In Sheet		
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No	
Alliene Potter	N	
	Y	
Hopkins Con. Denter.	7	
MARILYN KIRTLEY	N	
23-TON Rogers	· y	
MATT WILSON	N	
Right Holls		
Law Justin	N	
DANiel Southard	W	
DON CARY	\sim	
Alan Woodh	N	
BEYAN HANDY	N	
Sam Roach	N .	
J.P. Burder	No	
David & Rhondos	No	
ashless Vin Cent	Na	
876- EUGCHE TRISKO CEED	Yes	
8:32 Peter Ventranglia	Yes	
Min Loson	No	
Man Christman	No	

Thoroughbred Generating Company, LLC – Thoroughbred Generating Station 021-177-00077

Central City, Kentucky February 12, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
HAROLD DERAZE	10
Tullie FAA26	10 NO
1 J. Walley	. N
Gur Cerimele	No.
Miko Burdan	NO
LEC WATKINS	No
deel Bood 1/	\mathcal{N}
Steve Hishley	No
Tan Axtell O	
DAVID TURNSULL	NO.
Joe Ford	NO
SOUN C WINN	NO
GLEWPALE GARRETT	No
WAYNE HUNSAKER	No
RAY PARROT+	No
MITCH TILLEY	No
Andy Short	No
Bessie Hardison	No
35 Phil O'Neal Magistrate	Yes
Dianna Tizliner	NO

Thoroughbred Generating Company, LLC - Thoroughbred Generating Station 021-177-00077
Central City, Kentucky
February 12, 2002

Sign In Sheet Do you want to speak at this meeting? PLEASE PRINT Indicate Y for Yes and Nfor No Name Chandler

Thoroughbred Generating Company, LLC - Thoroughbred Generating Station 021-177-00077

Central City, Kentucky February 12, 2002

	Sign In Sheet	
	PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
1	Retus C. SINNett	VIO
45 /	MARCUS COLLEGE	Yes
.48 [Kurby Tapp	Y
	Helen Agnold	<u></u>
	Dennis Winters	N
	Stephanie Ball	No
	Jeffery Rall	No '
	Eric Williams	NO
	Getald Ray Monky	NO
ļ	Brandon Stemwell	NO
	AL WILLIS	NO
	Rick Dierick	N8
1/43	Ray Mexicon	145
₹ \$	ALVIN La DUKES	YES
	George K CASKeen	NO
,	Ricky King	No
	Strvy P. Rhoads	No
	BRYAN Smeathers WM 7A RADIO	N
	Ken Ramsey	N/A
	Robin Ramsey	n/A

Thoroughbred Generating Company, LLC - Thoroughbred Generating Station 021-177-00077
Central City, Kentucky
February 12, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Disage W. Phillips	39
Land Will	No
Toch Nokes	\sim \sim
Mart woodares	N 0
aun bay	No
Burn Hordon	No
Bre Burgh	N
Cotter Belle	W
Jill Vaught	N
RAY CESSNA	100
FEBA BASCO	No
Dariff Jones	No
Cinie Kling	?
Live Peneler	5
Jeren Overton	73
Dary L. Shelton	No
June Droke	No
JERK:11 SnodgyASS	yes
DAMSS BLIZZAD	NO
HUBH GISH JR.	NO

Thoroughbred Generating Company, LLC - Thoroughbred Generating Station 021-177-00077

Central City, Kentucky February 12, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Kennethy Religio	465
Law Comes	100
Dovid Warmen	No
Dorro Wayne Rushina	NO
Day Workstrotte	# NO
Chester O. LEAR	NO
ED NOKES	NO
Danny Nokes	WO
Wes workers	
Jean Southors	100
V.L.BUH	No
DANMORIARTY	No
NIKE GILLES	No
Lam Vas	Purhayes
Jan/Geba C	·
AKT ON Dasko	(sq
JANDI BAXTER	NO
Jonathan King	No
TROY Flener	NO
Wendell Hann	No

Q:59

Thoroughbred Generating Company, LLC – Thoroughbred Generating Station 021-177-00077

Central City, Kentucky February 12, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
CHARLES BRUMLEY	pu' o
Bobby Mayhugh	No
Wendy may hugh	No
MANGIL Robinson	10
William WATKINS	NO
Opul Hunter	NO
Helly Bradley	No
Jakon Thacker	10
Robert A. Vincent	· NO
Just Williams	16
Drank noch	mo-
BenTurner	No
JANET TUCLY	NO.
Michael Autou	No
Danny molnight	NO
Glandel HARdISON	No
JERhoades	No
LUCIEN CISNEY	NO
Tom Carro 4	<u></u>
Pat Barker	No

Thoroughbred Generating Company, LLC – Thoroughbred Generating Station 021-177-00077
Central City, Kentucky
February 12, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
TAMMU SORN	NO
BABAKA Serm	No
James Stogner	NO
Billy Kieby	WO
Sue Ann Vincent	No
Bobby BlackbuRN	NO
Michael D. Stanley	NO
ElDON STANLEY	No
Gayle Stewart	
Steve Osteen	
Ken Cuntis	
Curtis Crick	
AnnSparks	NO
BOB LAWTON	No
DANNY ARMOUR	NO
KENNY H.11	NO
Jimmy HOLLAND	NO
Kayla Mayhugh	NO
7 mg Marston	0
RANLY MCK; NNEY	No

Thoroughbred Generating Company, LLC – Thoroughbred Generating Station 021-177-00077
Central City, Kentucky
February 12, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Donnal McCarthy	IVI
Howard Phillips	VA
Jim (2035)	No
GRETA Chandler	NO
Ham Chardler	NO
TODO KARPIN	1/0
Tron Ritchie	N·
JAMES HArris	18
Shelia Birins	No
Terry Brins	NO
J'M SALLEE	No
LARRY SALLER	NO
Michael Rector	No
JERRY BAILEY	NO
Patrick Bevier	*No
DAVID F. Dicer	No
Hand Hale	NO
WIL DIAL	NO
17 1 51 1-5L	1
Jos & Trans Skalosky	

Thoroughbred Generating Company, LLC - Thoroughbred Generating Station 021-177-00077
Central City, Kentucky
February 12, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
TODO MILLERI	NO
Tolo Debora	1,0
L'Same Make	No
Od 1 Adit	NO
Mensy Oroller	No
Till 2	NO
1000 Widings	No
1013 3/49000	No
Jam Brown	No
Market Market	7
Chan & M Shee, m)	NO
GARY T. Durch Am	1/0
New / week	No
Jerry Perelen Jorce Stevens	N
F. BROWN BAKER	1/
Il Edwards	n/
	N
Mary Hvoco	No
James Shemwell	
J. B	70
KENNY Dillihay	

Thoroughbred Generating Company, LLC - Thoroughbred Generating Station 021-177-00077
Central City, Kentucky
February 12, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Tellet Richier Respondien	No
LISA FRAMANI LISA FRAMANI JIM DAY MALCOLM WEST	YES
DAJE VAN VURLIN July O Bech Sx	1.5
Lob Toerne Carsa BLACK	10 Ni No
Here Moland Hankting Embry and Silvertz Mike Dono Loo	No
Lin Cisney	no-Fac

Thoroughbred Generating Company, LLC – Thoroughbred Generating Station 021-177-00077
Central City, Kentucky
February 12, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Leon Bastin Bastin Excepting	20
Course Bastin	ns
Darrel Sentry.	No
Elizabeth am Jenty	No
Mito McInil	No
Toe M. Arnold 5Y	NO
Dis Cambell	No.
ann lisney	No - For
MA HE BBS	Na
Mars S. H. Ble.	1.
Juny Shinons	Consevant fress
Bur Saicher	
Rom & And	yes
Hory Kurtley	no
James Racy	Yes

Thoroughbred Generating Company, LLC – Thoroughbred Generating Station 021-177-00077
Central City, Kentucky
February 12, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
SUTT MCGARNE	N
Sout MCGARVIE Demil Welst	
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<u> </u>	

Sign In Sheet	
PLEASE PRINT	Do you want to speak – at this meeting? Indicate Y for Yes and N for No
Frigh SWENTT RVSS CROLEY	N
KVSS CROLEY	N
Breft CoarAd	A
John Mc Roy	NO
WAthya Incher	1
Idde Young	No
Quifria M. Winter	No
Carmen M. Winter	No
MichAz L West	NO
Jerny E. Cohoon	NO
lim Wilher	No
DURWOOD MAPLE	NO
JEFF MCLIMORA	No
STEVE EdgE	10
Jennifer Thomas	NO
CARLLE FOXT	No
Twill Sier	
Cary T. Denkom	NO

Sign In Sheet	
PLEASE PRINT Name	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Deen Dukes	NO
Loovey GOOT	No
Logel M Buston	
Dairy Jones	No
Carblin J. Dukos	NO
Jorna Cappo	<u> </u>
TOM RHOADS	NO
STETA PORAPETY	N/A
KELLY BREY	N
Sen Jurna	No
1 Tack Ching Mark Curry	NO
Stelly J StovALL	N,
JUSON CON/ SWEENLY	
Kenneth Rebison	XO.
Reith Wiggins	NO
KAY HSKINS	NO
Fry N. Meyer	11/10
Mary Chappell	No
Oliela	plo
the Dem Cul	<i>f</i>

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Jerry Knight	OLL
Doris Knight	ND
Thomas MCCLAIN	No
CoypAD BOWER	No
Konnie Moore	
Sang Sperlai	
Jin Leisar	NO
LYTHER FORD	NO
Jerry Copp	No
Elsakde West	No
DAVID Rhouses	NO
Pickie Gilliland	NO
DOROTHY WALKER	NO
ROBERT BISHOP	v°
Martha Miller	No
Ed DAVIS	NO.
BRANDON THOMAS	NO
BRAD KESSINGER	NO
Knist Gook	
Askly Payer	No

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
harfist reacher Melson.	No.
And the	<i>A</i>
JASON Saller	NO
DONALD K. Smilt	No
Termy Coleman	NO
Mike Burden	NO
GARU Shelton	NO
Deroud Durches	No
(Syan Deyer	NY
X len HWles	No
DHN BOBNE	NO
George Perkins	NO
TomClark	NO
Jeremy BHall	no
George Perkins II	INO
Jonathan B., Hall STEVE KAELTN	NO
UNCE MACKEN	1700

Sign In Sheet	
PLEASE PRINT	Do you want to speak —at this meeting? Indicate Y for Yes and N for No
Larry HWIllis	NO
DAVID BREEZE	NO
Dugne Mc Smile	No No
Gerald Whiteler	NO
Tred Coomba	No
De Dulcas	N D
Herrie William	No
Joe Kilkins,	1/6
Odiehael Autry	NO
DON POTTER	NO
ALLIENE POILEI Willard Keith	N o
IR LEAR	NO
Vicia Hendricks	No
	Ko
Ken Roger	16

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Bobby Culto	NO!
Brent Mercer	NU
Thomas Poque	NO
Gary Atherton	No
The Habel	No.
Alry Nislay	N8
An Colon	1/2
DAIDH TOGUE	1/0
	1// 2
Right DI/TANA	
Bill Coull	100
DILFORD HOLMES	80
Ivin Gibson	No
Mile He Ond	No
Dames & Crambo	NO
Robert Steele	NO
Stan Turky	No
David West	No
BRIAN PEODLEY	め

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Lee Green	110
Tom Carroll	/ N O
Shannon Roberts	Na
Loy Atwood	No
Refesa Putham	No
CARL BAILET	NO
JERRY FREY	NO
LARRY B. ROBY	NO
Chad Whitsell	NS
Mike Rector	NO
Terry Blincol	Na
MOURICE ARNOLD	No
Billy Smily	. M
SAM SOOKEY	NO
JeAN-TURKEY	
Sandy Keith Jennings	NO
(A) Dudgety	No
June Chake	No
I placeped	NI

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Dick Kirtley	No
CLARENCE P. HYTAAM	No
FRED M MAYES	No
DAVID PICER	No
Charles Hayden	NO
Tommy Wellon	NO
Jim Blandford	N 0
Terry Stearsman	10
Dan VINCENT	No
Theore Kills	no
DAVID CHEEK	100
JAMES HAMILTON	X6
Willow K Heig	1 NO
L. V. Boyd	NO SI
Donnie Weldon	110
CHRRY SALLER	NO
John BdzzE	NO
GAil LCP	NO
PORA F. WINCHESTER-MOORE	No
Brandon Burden	NO

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Delbert LEE RICHIE	Y
Rick Mikee	<u> </u>
MARK BEARD	N.
Gary Osboru	N N
Brent Troyden Jerry How You	N
JERRY How You	N
Bisin Gilmore	
Martha Gilmore	N .
STEVE EARLE	У,
Jerry Cross	<i>N</i>
Elizabeth Hill	<i>M</i>
John Daniel	
VKerw Futo	N N
BARNEY MITCHELL	N.
Janne Alexandrovich	N
Morry C. DAVIS	N
KAY PARAOTT	P
SCOTT YAEGER	N/
Sacob Williams	N N
Dutor Williams	<u> </u>

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Bud, Miller	N
Donnow W. Brown	
Mike Stone	N.
Regina Arnold	N
Gemmie Arnold	N
Dem Dure	No
Luy Teonail	A
Guy Cerimele	No
Joseph (Holland,	yes No
FrEDDIE WIKErSON	W~
BRYAN HANDY	νo
Joel Bradley	No
Kella Bradley	No
Store Ashlan	No
Jerry Comes	VU
Dese 185 Mknon	No?
Brame explos	121
Sandi Baxter	YES NO
Trach Cade	
Comment Cache	
The state of the s	

Sign In Sheet	·
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
JOHN L. ARNETT	N
ALVIN L-DUKES	A Y
HARRY CROWE	
Ed Wyatt	1
GARY TRICE	No
Anna C Gulley	Yes
Lais Slipeporth	No
Missim William	
Connie Kigg	NO
Bill Shaver	ND
Themy his	No
TED JESSUP	20
J. SCOTT RAY	NO
Jimmy Bivins	No
JOAN Mercer	NO
DALE TOOK	No
Danny Shea	40
Danny Shea Michael Brown James Stogner	No
James Stogner	NO

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Wayne Godfrey	No
Larry VAUGHT	yes .
CLiff Greenwell	No
FUGERE MOVAN	NB
Bill whittinghill-	NO
Michael Dowell	NO
LARRY DINCENT	64
RODNEY ALVEY	NO
PAT O'BRYAN	No
JIM SALLEG	No
MARILYN KIRTLEY	No
Stephanie BAU	No
Derris MARTIN	NO
Jimmy MARTIN	NO
David Dieham	No
Kerin Kemper	NO.
Sherry Kempe (Edra Wh. Haker B. 114 Whatch	10
Sherry Kemper Edvik Whitaker	N.
Billy Whiteha	No
Aubrey Len's	V 0

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this-meeting? Indicate Y for Yes and N for No
Oatsil Butch Down Rue	
HAROLD FRAZE	NO NO
hycital Cisney Phillip A LILE	NO
Jimay DURES	No No
Nicolaus Hall	No
Michael HOUS DONA MERCER	V 7-5
CONNIS MERCER Echard LHopper	No
Elpon W. Stanley	~0
Jim Billes	NO N
WAYNE HUNSAKER WILLIAM L. OBRYAY	No

Sign In Sheet	
- PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Troy A- Stouall	~
James L WALLEY	
ED NOKES	() () () () () () () () () ()
A CHS NakeS	N
Tony Walley	No
RANDY MCK:NNEY	NO
Jinny DMIVIBR	NO
Dane Calloway	No
JEREMY CALLOWAY	N6
Hohn Hobgood	10.
EHRIS JAKVIS	<u> </u>
Mike Turner	No
Brad Gibson	NO
MARK SKettrold	No.
marser appo	NO
Lend (sell-5	Uð
Bob Cox	yer
TOOD MICLER	\\ \nu_0
Jerry P. Rhoads	No
DARRellWesT	100

Thoroughbred Generating Station Plant I.D. # 021-177-00077 Application Log # 53619 Greenville, Kentucky July 25, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
James McMillen	No
Lallie resitue	No
Bell relatine	No.
Kayla Mayhugh	No
LARRY PAYSON	NO
Jerry PAGAR	N6
Maxion F. Tinsley	ne
Jean Love	No
Paul Jodd	No
TREd Maden	NO
Kirk L Webster	NO
ge Wight	7 NO
James Harris	NO
Wendy May high	No
Retus Sinvert	NO
Scott Adams	NO
Rita Dukes	No
John F. Vogler	No
Mark Calloway	NO
Riche Cool	NO

465

Thoroughbred Generating Station Plant I.D. # 021-177-00077 Application Log # 53619 Greenville, Kentucky July 25, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Reggie Potty	\sim
hedre usie	
Vingil flanty 6	
Dianna Tizliner	No
John Luca - Evanville Com	No
John Blew	Yes
Sprie Doon	no
Halcott	res
Jimmy Arwold	NO
Holland BROWN	NO
Beth Styl Aura.	73
Kichard Kichay	10
DANNY Southmed	No
Kenny ALLEN	No
Richard Kobinson	NO
Von Cof	Na
DANNY STONE	NO
(fee Hands	No.
Hay athertor	No.

Thoroughbred Generating Station Plant I.D. # 021-177-00077 Application Log # 53619 Greenville, Kentucky July 25, 2002

Sign In Sheet	
PLEASE PRINT	Do you want to speak at this meeting? Indicate Y for Yes and N for No
Lonnie Turley	N
Civing Scharf	y No
Jeffkry 3All	N
Heishel Knight	no
MARK RUTHUNFORD	NO
HOUSTON HUMFONEU	100
Solvet a Lauton	No
mika Thompson	No
TJ. Hampton	NO
Donald Kuser	MO
Nenzil Webster	no
EDDUKES	NO
Sta MIL	N
Herferfine -	NO
Buth Malash	No
Clastok Adams	NO
JOHU S WIND	No
Danala Callanoy	NO
Eddie Callowny	NO
Mike CAlloway	ND

State, Local and National Media

April 17, 2003

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Late board rejects proposed power plant

By CHUCK STINNETT, Gleaner staff April 17, 2003

A state board has rejected a proposal for an electric generating plant in central Kentucky because its developer refused to obtain local planning and zoning approvals.

Kentucky Pioneer Energy LLC sought to build a 540-megawatt power plant in Clark County to produce electricity for East Kentucky Power Cooperative.

But the Kentucky State Board on Electric Generation and Transmission Siting on Wednesday refused to grant Kentucky Pioneer a construction certificate, saying the company failed to comply with Clark County's planning and zoning regulations.

The siting board said it rejected the developer's claim that it is exempt from local planning and zoning requirements.

The board said it would reconsider the matter if Kentucky Pioneer complies with the planning and zoning regulations within six months.

Kentucky Pioneer, which is affiliated with Cincinnati-based Global Energy Inc., had intended to fuel the plant with synthetic gas produced on-site from a mixture of coal and fuel pellets made from garbage.

"Obviously the denial of application is a setback to the process of building a plant," said Kevin Osbourn, spokesman for East Kentucky Power. The co-op has pursued a number of projects to increase its access to electricity, and it intended to buy 100 ent of the power generated by Kentucky Pioneer.

East Kentucky Power produces power for 16 rural electric co-ops that have more than 450,000 customers in 89 counties.

"We do have a continuing interest in the power" and will monitor the matter to see whether Kentucky Pioneer appeals the ruling, Osbourn said.

Kentucky Pioneer officials couldn't be reached immediately for comment.

The state siting board was established last year after some 20 power plant projects were proposed in Kentucky. Many or most of those projects have since apparently been dropped for reasons ranging from the collapse of the energy trading market in the wake of the Enron scandals to rising costs for natural gas that would fuel some of the plants to the general weakness of the nation's economy.

The siting board last year granted its first and only construction certificate to Kentucky Mountain Power LLC for a 520-MW coal-burning facility in Knott County.

Three other companies have filed notices of intent to submit applications, including Peabody's project in Muhlenberg County as well as proposed plants in Estill and Marshall counties.

The proposed Cash Creek Generation power plant project in Henderson County hasn't done so yet. Manager Mike McInnis said Wednesday that the project is still in development, though its timetable has been pushed back until electricity shortages become evident.

The Cash Creek project won approval in 2001 for rezoning more than 1,900 acres along the Green River.

April 10, 2003

Peabody Energy said it will release its first quarter 2003 results on Wednesday, April 16. A conference call to review the results has been set for 10 am CDT that day. For more information, go to http://www.peabodyenergy.com.

Environmental Challenge Delays Peabody's Thoroughbred Project

Peabody Energy will have to wait another five months before the next step in the continuing battle over its proposed Thoroughbred power plant in Muhlenberg County, Ky.

Oral arguments involving an appeal of the plant's air permit have been scheduled to begin Sept. 19 in Frankfort, Ky., with a formal hearing before an administrative law judge set for early November.

Peabody was granted a pre-construction air permit from the state in October (CD 11/12/02; 1/24/03), but environmentalists led by the Sierra Club appealed, stalling the process. Negotiations between Peabody and the Sierra Club broke down last month (CD 3/17/03). At a membership meeting over the weekend, Sierra Club officials said stopping the plant was among their top national priorities.

April 9, 2003

Coal Daily, 4/9/03

Peabody Buys Rest Of Black Beauty

Peabody Energy completed a \$90 million purchase of the remaining 18.3 pct of Black Beauty Coal it didn't already own, the company announced yesterday.

Black Beauty's seven mines in Illinois and Indiana sold 24.1 million tons of high-, medium- and low-sulfur coal in 2002.

Peabody will now also have full ownership of southern Illinois coal mining firm Aclar, which recently appointed former Peabody exec John Hill as operating manager (CD 9/27/02). Aclar's ownership was previously split between Peabody and Black Beauty following a buyout of Franks Energy in September 2002. The \$90 million purchase price for Black Beauty includes other "contingent considerations," Peabody said.

Steve Chancellor will remain as Black Beauty's chairman at the Evansville, Ind., offices and Dan Hermann will become the company's CEO, reporting to Peabody top exec Irl Englehardt. Black Beauty is the largest coal company in the Midwest and sells 93 pct of its output under multi-year contracts. Peabody says the acquisition will be accretive to earnings this year.

Coal & Energy Price Report, 4/9/03

Peabody continues fight to run Thoroughbred as greenies nay, whinny

Peabody Energy's proposed Thoroughbred Energy Campus has been granted an air quality permit from the Kentucky Division for Air Quality, but the fight with the Sierra Club and other environmental groups opposing the project continues. Shortly after the project received its permit last October, the Sierra Club appealed the decision, questioning whether the coal-fired plant to be located in Muhlenberg County, KY, would meet Clean Air Act requirements.

Oral arguments are scheduled to begin September 19, and a formal hearing before an administrative law judge has been set for November 3-14.

Peabody officials continue to tout the Thoroughbred project as potentially one of the cleanest power plants in the country.

"We feel very confident that the plant is an excellent model for environmental improvements and succeeds on environmental fronts terrifically," a Peabody official told Coal & Energy Price Report. "We feel good about our chances. We believe it represents an enormous environmental leap and provides a form of low-cost electricity."

Citing Peabody's permit, the environmentalists' appeal claims the project's two 750-MW generating units could emit as much as 420 pounds of mercury, 509 tons of volatile organic compounds, 326 tons of sulfuric acid mist and 10,948 tons of sulfur dioxide. An attorney for the Sierra Club said the case is important because of the potential impact on Mammoth Cave National Park, which is located about 50 miles from the proposed plant.

Peabody Energy maintains that the plant will create emissions far below the national average.

"It will have advanced scrubbing," a Peabody official said. "It takes a coal that is eight or nine pounds per million Btu of SO2 and brings it down to 0.167 pounds. We've got SCRs (Selective Catalytic Reduction) and precipitators."

If all goes well for Peabody, construction of the plant would begin at some point in 2004.

Facing potential coking coal cuts, Peabody latest on Brazilian dance card

Peabody Energy is up to bat this week at the Brazilian steel negotiations, and if other recent U.S. settlements are an indicator, the met coal exporter might be forced to accept price cuts of \$1.00/ to \$2.00/ per tonne on FY03 contract tonnage. Here is the U.S. scorecard so far:

Alpha Resources

- 300,000 tonnes of Herndon at \$52.58/tonne FOB East Coast (down \$1.02/tonne)
- 65.000 tonnes of McClure at \$52.00/tonne FOB EC
- 20,000 tonnes of Kingwood (high sulfur) at \$44.70/tonne FOB EC

Jim Walter Resources

- 490,000 tonnes of Blue Creek No. 5 at \$48.55/tonne FOB Gulf (down \$2.05/tonne)
- 630,000 tonnes of Premium blend at \$48.55/tonne FOB Gulf (down \$2.05/tonne)

CONSOL

- 170,000 tonnes of Buchannan at \$52.65/tonne FOB EC (down \$1.44/tonne)
- 100,000 tonnes of Bailey at \$41.00/tonne FOB EC (down \$0.85/tonne)

Massey left the first round of the negotiations without a contract settlement. Unconfirmed reports say that the BSM wanted Massey to accept a large price cut, scaling back from its current price of \$71.00/tonne FOB East Coast to near \$56.00/ tonne.

It's easy to see why Massey might want a second or even third round of negotiations with the BSM, which should take place later this month.

In other news, another North American exporter, the new Fording Coal Partnership, has secured contracts to supply 1.3 million tonnes of met coal to the BSM at an average price of \$43.50/tonne FOB Vancouver (down \$2.00/tonne).

ML sees Arch improving in 2nd half, Peabody benefiting from Indiana deal

Despite a disappointing earnings forecast from Arch Coal, one major Wall Street analyst isn't swayed from his positive view of the

"We forecast an improved second half of 2003 as coal inventories at utilities continue to tighten, electricity generation continues to rise, and Arch continues to hold back shipments until acceptable price levels can be reached," Dan Roling of Merrill Lynch wrote. "Accordingly, we reiterate our buy on the shares of Arch Coal."

Merrill Lynch's 12-month price objective of \$25/share represents a 20 percent discount to the market multiple for 2004 arnings, Roling noted. Historically, Arch has traded between 12 to 14 times earnings.

Further, Roling is bullish on Peabody Energy's acquisition of the remaining interest in Black Beauty Coal. "We view this acquisition as a positive step in the further consolidation of the coal industry," Roling wrote. Merrill Lynch reiterated its "buy" on Peabody shares.

April 8, 2003







Apr. 8, 2003

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Monday, April 7, 2003

Fight over Ky. coal plant spills over to other states

The Associated Press

LOUISVILLE - The battle over a proposed coal-fired power plant in western Kentucky extends beyond the state's borders, an environmentalist says.

"It's important to stop this plant," said John Blair, who leads Valley Watch in Evansville, Ind. "If it gets the financing and permits, it will be followed by additional plants in this region." Blair was referring to Peabody Energy's proposed Thoroughbred plant, to be built in Muhlenberg County's Central City. His group has joined the Sierra Club in opposing the plant, in part because of air pollution concerns.

Blair was one of several speakers who addressed about 25 Sierra Club members from nine states in Louisville over the weekend for the club's Midwest Regional Conference on coal-fired power plants and other concerns.

Coal Daily, 4/8/03

In Brief . . .

Evolution said yesterday it had brokered what may be the first coal futures transaction on the New York Mercantile Exchange's ClearPort system (CD 3/10/03; 4/2/03). The deal called for 5 barges/month running from July to December 2003 at 33.25/ton. The transaction is being cleared through NYMEX, so neither counterparty is aware of the other's identity.

Investment firm Friedman Billings Ramsey & Co. identified Arch Coal, CONSOL Energy and Peabody Energy as three publicly-traded coal companies that would be likely to benefit from language in the upcoming US House and Senate energy bills (CD 3/25/03). Grants and tax credits stemming from clean coal technology funding could be available to these companies, which are some of the largest producers of coal in the US.

April 7, 2003

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coal-fired plant called health threat

By The Associated Press April 7, 2003 **Courier & Press**

LOUISVILLE, Ky. - The battle over a proposed coal-fired power plant in western Kentucky extends beyond the state's borders, an environmentalist says.

"It's important to stop this plant," said John Blair, who leads Valley Watch in Evansville, Ind. "If it gets the financing and permits, it will be followed by additional plants in this region."

Blair was referring to Peabody Energy's proposed Thoroughbred plant, to be built in Muhlenberg County's Central City. His group has joined the Sierra Club in opposing the plant, in part because of concerns about air pollution.

Blair was one of several speakers who addressed about 25 Sierra Club members representing nine states during a gathering in Louisville over the weekend for the club's Midwest Regional Conference on coal-fired power plants and other environmental concerns.

In October, the Kentucky Division for Air Quality, which is part of the Natural Resources and Environmental Protection Cabinet, issued a pre-construction air permit for the plant.

But environmentalists appealed the decision in November, questioning whether the plant would meet the federal Clean Air Act's requirements.

Svec, a spokesman for St. Louis-based Peabody, said the company is working through the appeals process.

"We believe the plant will set new standards for the best available control technologies for emissions and will be cleaner than the national average," Svec said.

But environmentalists said Thoroughbred represents a health threat.

Liz Natter, an attorney who represents the Sierra Club in its legal challenge to the air permit, said the case is important because of the health issues as well as the potential environmental impact on Mammoth Cave National Park, about 50 miles east of the proposed plant.

The health effects also could reach many people beyond the immediate area, including Louisville, Natter said.

"Pollution from coal-fired plants travels a long way," she said.

Citing Peabody's permit, the environmentalists' appeal said the plant has the potential to emit annually 420 pounds of mercury, 509 tons of volatile organic compounds, 326 tons of sulfuric acid mist and 10,948 tons of sulfur dioxide.

Oral arguments are scheduled to begin Sept. 19, and a formal hearing before an administrative law judge has been scheduled for Nov. 3-14, with an extra day, Nov. 21, if needed.

April 6, 2003



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Sunday, April 6, 2003

Environmentalists rally against coal-fired plant for Muhlenberg



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By Ken Berzof kberzof@courier-journal.com

The Courier-Journal

The significance of the battle over a proposed coal-fired power plant in Western Kentucky extends beyond the state's borders, an environmentalist said yesterday.

"It's important to stop this plant," said John Blair, who leads Valley Watch in Evansville, Ind. "If it gets the financing and permits, it will be followed by additional plants in this region."

Blair was referring to Peabody Energy's proposed Thoroughbred plant, to be built in Muhlenberg County's Central City. His group has joined the Sierra Club in opposing the plant, in part because of concerns about air pollution.

Blair was one of several speakers who addressed about 25 Sierra Club members representing nine states during a gathering in Louisville for the club's Midwest Regional Conference on coal-fired power plants and other environmental concerns. The conference, being held at the Inn at Jewish Hospital, concludes today.

In October, the Kentucky Division for Air Quality, which is part of the Natural Resources and Environmental Protection Cabinet, issued a preconstruction air permit for the plant.

_ut environmentalists appealed the decision in November, questioning whether the plant would meet the federal Clean Air Act's requirements.

Vic Svec, a spokesman for St. Louis-based Peabody, said the company is working through the appeals process as well as seeking partners to help build and operate the plant, which could begin producing power in 2007 or 2008.

He said the plant "provides the basis for low-cost electricity and for major economic benefits to the region, and allows for various strong environmental improvements.

"We believe the plant will set new standards for the best available control technologies for emissions and will be cleaner than the national average.

"The United States needs additional energy resources, and they have to be low-cost. Kentucky is in a wonderful position to provide lowcost electricity and can do so in a way that is friendly to the environment, and that's what Thoroughbred represents."

In the minds of the environmentalists, however, Thoroughbred represents a health threat.

"There's plenty of solid government research that coal-fired pollution is killing people," said Liz Natter, an attorney who represents the Sierra Club in its legal challenge to the air permit.

Natter said the case is important because of the health issues as well as the potential environmental impact on Mammoth Cave National Park, about 50 miles east of the proposed plant.

e health effects also could reach many people beyond the immediate area, including Louisville, Natter said.

"Pollution from coal-fired plants travels a long way," she said.

Natter also said: "It's time for Kentucky to catch up with other states in using the latest and cleanest technology for making electricity from coal. Our position is that Thoroughbred rejected or failed to consider technology that could make it cleaner."

said technology is changing rapidly, and "we don't want to be permitting today in Kentucky for plants that are going to be obsolete in three, four or five years and become the belching dinosaurs of tomorrow."

Citing Peabody's permit, the environmentalists' appeal said the plant has the potential to emit annually 420 pounds of mercury, 123 pounds of beryllium, 509 tons of volatile organic compounds, 326 tons of sulfuric acid mist, 6,029 tons of nitrogen oxides and 10,948 tons of sulfur dioxide.

The case is proceeding through the appeals process, with depositions being taken and documents being studied.

Kerry Holt, a spokeswoman for the state Natural Resources Cabinet, said oral arguments are scheduled to begin Sept. 19, and a formal hearing before an administrative law judge has been scheduled for Nov. 3-14, with an extra day, Nov. 21, if needed.

"I think we're fighting a good fight," Natter said in an interview. "We're up against an opponent with far more resources than we have, but we're in it for the future -- of Kentucky's air quality, and of the health of kids who will breathe that air."

^^ Back to top

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March 17, 2003

Thoroughbred Permit ₄egotiations Break Down

Peabody Energy's proposed 1,500 MW power plant in Muhlenberg County, Ky., hit another hurdle this week as negotiations over its air pollution permit broke done.

Peabody lawyers had been meeting privately with a mediator and with lawyers for the Sierra Club and other environmental groups which last November appealed the decision by Kentucky regulators to grant Peabody an air permit for its proposed Thoroughbred Energy plant (CD 11/12/02; 11/18/02; 1/24/03).

But attempts to mediate the appeal have fallen through, according to both sides, and they now expect the matter to go before a state hearing officer in late July.

Both sides said they were legally bound not to discuss

details of the negotiations.

Opponents have made clear what their objections are, though. While Peabody insists that the two-year permitting process resulted in stringent environmental controls, environmentalists contend it wasn't rigorous enough. They

want additional analysis of downwind pollution from the plant, and insist that Peabody has failed to design "best-available" pollution-control technology for the plant.

Location has been a major issue. **EPA** ranks Muhlenberg County

10th out of 736 counties in the southeastern US for health risks associated with air pollution.

Peabody argues that technology for the proposed \$2 billion plant will remove 98 pct of the SO_2 from the western Kentucky coal to be burned there and more than 80 pct of the NO_x . But environmentalists want hourly emissions limits that would hold the utility responsible for large one-time releases of several categories of pollutants.

Senate Sees New Clean Coal Tech Bill

A bill offering tax credits and funding for clean coal technology was introduced into the US Senate last week. The legislation is similar to a bill that was introduced in the House (CD 3/13/03).

Senate Bill 582 would create the Clean Coal Energy Research, Development and Demonstration Act of 2003. The legislation would give increased funding to clean coal technology development and speed implementation of equipment.

Introduced by Sen. Jim Bunning (R-Ky.), the legislation authorizes the appropriation of \$2 billion for technology development, including the creation of a new research and development program. The program would be geared towards demonstrating best available control technologies at new and existing plants, and would also offer grants to universities to advance new clean coal technologies. The program also authorizes the government to pay up to 50 pct of a privately sponsored clean coal demonstration project that the **Department of Energy** has approved.

The bill would also make available tax credits for utilities to use when installing clean coal technology. Among the bill's provisions are:

- a production tax credit of 0.34¢/kWh for electricity produced from existing coal-based facilities that have repowered with clean coal technology within 10 years of the bill;
- a 10 pct investment tax credit for investments in qualifying advanced clean coal technologies for use in new, retrofitted or repowered units;
- an efficiency-based production tax credit during the first 10 years of operation of a new, retrofitted or repowered qualifying advanced clean coal facility; and
- an offset against payments required as an annual return on appropriations by the Tennessee Valley Authority.

March 14, 2003

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ralks collapse on power plant permit talks collapse

Peabody foes expect state hearing

By MARK WILSON Courier & Press staff writer 464-7417 or mwilson@evansville.net March 14, 2003

Attempts to mediate an appeal of the air pollution permit for a proposed power plant in Muhlenberg County, Ky., have broken down, attorneys for both sides said.

Opponents of Peabody Energy's Thoroughbred Energy Campus are now expecting their challenge to be heard before a Kentucky hearing officer in Frankfort, Ky., beginning on July 28. The hearing could last up to two weeks, said Liz Natter, an attorney representing the Sierra Club, Valley Watch and several concerned citizens in the appeal.

Both sides said they were legally bound not to discuss details of the mediation effort. A Peabody representative also declined to discuss the company's motion to have at least part of the challenge to its permit thrown out.

The groups want the permit for the 1,500-megawatt power plant to be built near Central City, Ky., sent back to be reworked. The power plant would be one of the first coal-burning power plants built in the country in years.

The appeal was filed in November 2002 after a permit process that lasted nearly two years - and which Peabody spokeswoman Beth Sutton contends resulted in a project with even stronger environmental controls. "The permitting process is rigorous. We have engaged in a very open permitting process for a period of more than 18 months," Sutton said. "The points that are being made (by opponents) have been fully vetted and carefully considered by the Commonwealth and ple regulatory agencies. There were two public hearings and comment periods, both of which were extended." Opponents agree that the permit that resulted from that process will be protective enough of human health and the environment.

"I'm still disappointed that we don't have any downwind (pollution) analysis and no preconstruction monitoring was done. It is clear that there are likely to be violations (of the new ozone pollution standards)," said John Blair, president of Valley Watch, an Evansville-based environmental group.

Blair said he believes that the project will have an impact on Evansville air quality.

In addition to charging that there was an inadequate review of the risk to human health and the environment, the lawsuit also charges that the proposed power plant will affect Mammoth Cave National Park and that the permit violates the federal Clean Air Act by not requiring the best available pollution control technology.

Muhlenberg County ranks 10th out of 736 counties in the Southeastern United States for health risks associated with air pollution, according to the U.S. Environmental Protection Agency.

Peabody argues that the \$2 billion plant would remove up to 98 percent of the sulfur from the high-sulfur Western Kentucky coal to be burned there and more than 80 percent of the ozone-causing nitrogen oxide.

The Sierra Club would also like the permit to include an hourly emissions limit that would help hold the utility responsible for large one-time releases that might cause environmental and health threats but not skew the averages for the other limits enough to bring enforcement actions.

Pollution permit battle continues for proposed Peabody power plant

By MARK WILSON, Courier & Press staff March 14, 2003

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Opponents disagree that the permit that resulted from that process will be protective enough of human health and the environment.

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Blair said he believes that the project will have an impact on Evansville area air quality.

In addition to charging that there was an inadequate review of the risk to human health and the environment, the lawsuit also charges that the proposed power plant will impact Mammoth Cave National Park and that the permit violates the federal Clean Air Act by not requiring the best available (pollution) control technology.

Muhlenberg County ranks 10th out of 736 counties in the Southeastern United States for health risks associated with air pollution, according to the U.S. Environmental Protection Agency.

"They failed to use or consider available off the shelf technology that would allow this to be a cleaner plant," Natter said.

The permit sets limits on the amount of various pollutants the plant can release into the atmosphere. Coal-fired power plants are regarded as major sources of pollutants such as nitrogen oxide, sulfur dioxide, particulate matter and mercury that contribute to smog, acid rain and other environmental and health problems.

Peabody argues that the \$2 billion plant would remove up to 98 percent of the sulfur from the high-sulfur western

Kentucky coal to be burned there and more than 80 percent of the ozone-causing nitrogen oxide.

The permit limits the plant to emissions of 0.08 pounds of nitrogen oxide per million Btus, and 0.41 pounds of sulfur dioxide per million Btus over a 24-hour average or 0.167 pounds over a 30-day average.

The Sierra Club would also like the permit to include an hourly emissions limit that would help hold the utility responsible for large one-time releases that might cause environmental and health threats but not skew the averages for the other limits enough to bring enforcement actions.

Environmentalists also take exception with permit language that allows Peabody to only test the coal it burns for mercury four times a year.

March 7, 2003

By BILL WOLFE

bwolfe@courier-journal.com

The Courier-Journal

Kentucky's Public Service Commission is trying to pull the plug on changes being pushed by the Federal Energy Regulatory Commission that the PSC fears could raise power rates here — and cut into the economic advantages Kentucky gains from its relatively cheap electricity.

Concerns center on the federal regulators and on the Midwest Independent Transmission System Operator (MISO), a FERC-approved organization that manages a multi-state energy grid to ensure the smooth flow of electricity and to foster a regional marketplace for electricity.

By next March 31, MISO, in Carmel, Ind., also will launch and operate a wholesale market where utilities will buy and sell electricity online.

MISO said its efforts will increase revenues to Kentucky utilities by helping them export surplus power and will give the state a backup power source should it ever need one.

But critics say the push for an open market in electricity will leave Kentucky consumers paying costly administrative fees into MISO and footing at least some of the bill for power-grid improvements needed to serve out-of-state customers.

MISO and FERC officials insist they are part of a movement that will generate a more efficient and reliable electrical system for everyone.

"We provide independent calculations of the capacity on the transmission lines," said MISO spokeswoman Mary Lynn Webster. "We have an independent market monitor and an independent marketing plan in place."

FERC spokesman Bryan Lee cited "considerable" gains in reliablity and efficency by using MISO.

But the Kentucky Public Service Commission and LG&E Energy, parent of Louisville Gas & Electric Co. and Kentucky Utilities, aren't sold on the idea.

"We really don't need the things that MISO is selling," said Martha Morton, an engineer with the Kentucky Public Service Commission.

LG&E Energy pays \$6 million to \$10 million a year in administrative fees to MISO — costs that could be passed on to consumers if they affect LG&E's bottom line, said Doug Bennett, spokesman for the power company.

"Our primary concern is, are those costs just and reasonable?" said Mark Johnson, director of transmission operations for LG&E. "It becomes an issue of do we need a Rolls Royce, or would a Chevy do?"

"Based on some of our preliminary review, there is a question as to whether or not maybe we are going too far," Johnson said.

The commission contends that benefits from the market and grid improvements are likely to flow to high-cost energy states like Michigan and Ohio, and that Kentucky, where coal-fired generators give the state the lowest-priced electricity in the nation, would see only added costs.

The potential for additional business from out-of-state companies has Peabody Coal Co. applauding efforts by the federal commission and MISO.

That will make it easier for companies like Peabody to build generating plants in Kentucky, burn Kentucky coal and sell the power out of state, said Jacob Williams, vice president of generation development for the St. Louis power and mining company.

MISO doesn't concede that its operations ultimately will raise prices for Kentucky consumers. In fact, LG&E may save money by turning over some of its transmission oversight duties to the regional organization, said Ron McNamara, the organization's vice president of regulatory affairs and chief economist. Also, "the LG&E transmission system should be able to run more efficiently because of that," he said, resulting in "a more optimal mix of generation at a lower cost."

Kentucky officials also complain that the federal and MISO efforts seem intended to create a "socialized" power market, where everyone pays similar rates for power. That would diminish one of Kentucky's strongest marketing tools — the cheap power that has helped attract auto plants, steel and aluminum mills and other manufacturers. Kentucky wants to maintain its price advantage.

Moreover, they contend that MISO is taking on a role that Kentucky and other states never imagined when its foundations were laid in the 1990s.

MISO's initial task was to monitor the region's power grid, direct electrical traffic, ensure open access to power lines and avoid congestion on the grid. It also would set up a one-price payment system for utilities that send their power across grids operated by other systems so that they would not be charged multiple layers of access fees.

Grumbling began from utilities opposed to new administrative fees and transmission charges that go to operate MISO. LG&E, in particular, is irate that FERC set aside a deal the Louisville company had worked out with MISO that would have deferred certain transmission charges for six years.

In a filing with FERC, LG&E berated the federal regulators, who it said had "ignored the benefits provided by LG&E/KU to the entire MISO grid." Instead, the commission "has elected to ram down the throats of these low-cost utilities costs clearly not commensurate with benefits received," the company said in a request for a rehearing.

LG&E argued that about 90 percent of its electricity goes to its regular customers in Kentucky and that it "receives little benefit from LG&E/KU's participation in MISO."

"On the other hand," LG&E wrote, "other MISO customers will likely obtain substantial benefits from LG&E/KU's participation."

FERC's Lee said that the wholesale market was "not something that we are requiring the region to do as much as they are asking to do," and that it represented requests from a consensus of state regulators from within MISO.

Kentucky's regulators are leery of taking additional loads onto the state's power lines that would require expanding and improving the statewide grid — especially if the power serves customers in other states.

The state's grid can handle its "native load" reliably, the PSC said in a 2001 study. But it was "not designed to move large amounts of power through the state, and attempting to do so could threaten reliability of those transmission systems."

It would be unfair to ask Kentucky consumers to pay for system upgrades, the study said, and "there is no evidence of tangible economic benefits" for those customers.

Kentucky customers would not necessarily have to pay for transmission upgrades, said James P. Torgerson, president of MISO.

"Our position on that is that those who benefit should be those who pay the cost," he said.

MISO officials also argue that the cost of operating the new wholesale energy market won't burden typical customers. "The cost to a consumer in Kentucky is about 1 cent a month," Torgerson said.

PSC spokesman Andrew Melnykovych said the commission's disagreements aren't as much with MISO as with the federal regulators who set the organization's mission.

FERC's approach is "a blatant effort to federalize the electricity industry" and push states away from a regulated power industry toward a free-market system, Cooper said.

"It's a perfectly rational choice not to be part of it, and they are trying to force everyone to take part," he said.

Lee said that open energy markets "are a fact of life for wholesale power at this point. We can't stuff the genie back in the bottle."

However, he said, "whatever the startup costs are for the people of Kentucky, they will pay dividends in the long run."

March, 2003

COAL AGE

CHICAGO, IL MONTHLY 19,632 MARCH 2003

Burrelle's

7535 PEABODY: CRITICS SEEK TO 'CREATE CONFUSION'

Peabody Energy is accusing a coalition of environmental groups of attempting to "create confusion" about the source of coal the company intends to use at its proposed Thoroughbred Energy Campus, a nearly \$2 billion project in Muhlenberg County, Ky., that will include a 1,500-megawatt power plant and an adjacent underground mine.

In late January, Peabody fired off a spirited response to U.S. Environmental Protection Agency (EPA) Administrator Christine Todd Whitman after the environmental groups petitioned Whitman to overturn a Kentucky air-quality permit issued late last year for the project because Peabody allegedly "misled" regulators about Thoroughbred.

The groups, led by the Natural Resources Defense Council, claimed the St. Louis-based coal company has attempted to justify its refusal to burn lower-sulfur coal in Thoroughbred or wash higher-sulfur coal before it is used in the plant "by repeatedly asserting that the plant would draw its coal from an adjacent mine that contained only high-sulfur coal and had no space for a coal-washing operation." They forwarded the EPA a document that purports to cast doubt on Peabody's assertion that Thoroughbred would be a mine-mouth operation. According to the memo prepared by the U.S. Fish and Wildlife Service, a Peabody official identified only as a "safety engineer" is quoted as saying during a meeting last August at Peabody's Gibraltar mine near the Thoroughbred plant site that the new Peabody mine would only operate for three or four years.

Then, Peabody would transport coal to the power plant from a new mine to be located near Island in neighboring McLean County.

Peabody, saying it wanted to set the record straight," told Whitman the environmental groups "incorrectly assume that the Gibraltar mine would be the

source of the coal" for Thoroughbred.

"As indicated in numerous permit documents, the coal for (Thoroughbred) will come from the proposed Thoroughbred mine, which has yet to be constructed and put into operation," Peabody said. "The new Thoroughbred mine, as stated, is adjacent to the plant site, but it is not the existing 'Gibraltar mine,' which is a surface mine located to the east of the (Thoroughbred) site." The Thoroughbred mine is expected to produce at least 4 million tons

of coal annually. The Thoroughbred mine portal and facilities will be located on property adjacent to and less than two miles northwest from the Thoroughbred site, Peabody said.

Coal will be moved by conveyor from the new mine to the power plant. Over the 30-plusyear design life of the power plant, the Thoroughbred mine will extend underground in three counties: Muhlenberg, Ohio, and Mclean, in western Kentucky.

Peabody said the majority of the Thoroughbred site and the

new mine site will have been or will be underground mined. From an environmental and mine safety standpoint, "this makes the area unsuitable for locating the large surface impoundments needed to treat coal wash slurry," the company said.

"Therefore, any coal washing would have to be performed off-site. The economic and environmental aspects of transportation and offsite coal washing under such conditions are unacceptable for the Thoroughbred project." CA

Coal Age Magazine March 2003

NEW MINE INSPECTORS TO BE HIRED

The Bush administration plans to create 55 new inspector jobs at coal, metal, and nonmetal mines, in addition to 21 new jobs to staff the newly established Office of Small Mine Health and Safety, 11 to improve safety and prevent accidents of the kind in the recent past.

The new office regulates more than 6,500 mines nationwide, each mine employing five or fewer individuals, and the office covers about one-half of all metal and nonmetal mines, and up

to 20% of all coal mines, according to Assistant Labor Secretary Dave Lauriski, chief of the Mine Safety and Health Administration (MSHA).

The small mine fatality rate in 2000, the latest data available, was nearly four times greater than the rate in mines with 20 or more employees, Lauriski said. "We need to reach out to those folks and help them improve," he said.

Public attention on mine safety heightened since the dramatic rescue of nine Quecreek miners from a flooded pit near Somerset, Pa., last July, and more recently, the accidental deaths of three contract employees drilling a mine shaft in northern West Virginia.

MSHA proposes a budget of \$266 million for fiscal 2004, an increase of less than 1% from the \$264 million requested the previous year. The agency was criticized for having cut its budget 6% in fiscal 2002.

"The most important thing is how do we allocate the resources to get the best return on our investments," Lauriski said.

"And of course, our investment in employee time, and then the return on that investment is most certainly the number of people we help send home to their families at the end of each and every work shift."

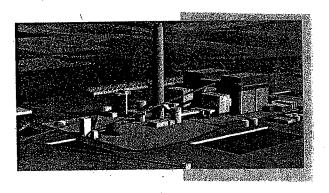
MSHA TO BOOST CIVIL PENALTIES

The Mine Safety and Health Administration (MSHA) plans to increase its fines by about 10% to account for inflation. The new fine schedule raises the maximum civil penalty from \$55,000 to \$60,000. The new fines will take effect April 11 and they will apply to citations and orders issued after April 11, but not to pending fines.

The Debt Collection Improvement Act of 1996 authorizes federal agencies to adjust civil penalties to account for inflation at least once every four years.

MSHA last adjusted its fines for inflation in June 1998. The agency plans to increase its civil penalties by 10.4%, a factor equal to the increase in the government's consumer price inflation index since then.

The direct final rule increases the maximum daily civil penalty by \$1,000 to \$6,500. It keeps the penalty for miners who use or carry smoking materials underground at \$275, because the Inflation Adjustment Act requires agencies to round some penalty increases to the nearest \$100.



Coal Age Magazine March 2003 Page 2

STUDY SUPPORTS PLANS FOR POWER PLANTS

A new study released in mid-January is leading support to Peabody Energy's claims that two large coal burning baseload generating stations the company plans to build in Illinois and Kentucky would provide a far greater economic stimulus to the region than comparable plants fired with natural gas.

Peabody's 1,500 megawatt (mw) Thoroughbred Emergy Campus and Prairie State Energy Campus, proposed for Muhlenberg County, Ky., and Washington County, Ill., respectively, each would burn about 6 million tons of high-sulfur Illinois Basin coal annually and create hundreds of mining jobs in areas that have been hard his by layoffs during the past decade.

For the past two years, Peabody has been fouring the economic benefits of the projects, each carrying a price tag of approximately \$2 billion. Now a study conducted for Peabody by Hill & Associates Inc. of Annapolis, Md., with assistance from West Virginia University adds more fuel to the company's argument.

According to the study, developinent of a new 1,500-mw coal plant in the Midwest would create nearly \$22 billion in direct and indirect new business volume over the 40-year project life and almost 2,300 permanent jobs. That represents more than 2.5 times the economic contribution of gasfueled electricity based on new business volume and job creation.

By contrast, a new gas-fired plant of the same size would create about \$8.2

billion in new business volume over the plant life and less than 875 jobs. Midwest gas-fired projects also have a less-favorable economic impact during the plants operating life because gas likely would be supplied from out-of-state sources, the study says.

"We know that higher-priced electricity from other sources is most detriniental to that portion of the population who can afford it the least," said Roger Walcott Jr., Peabody executive vice president of corporate development. "This new study further demonstrates that the development and operation of coal-fueled plants creates huge economic benefits relative to natural gas."

The study said the construction and operation of a coal-fired power plant in a coal-producing state would bring major economic benefits to the area in terms of jobs created and sales for regional businesses. The construction phase alone would increase business volume by \$4.4 billion and would result in more than 20,000 job years of employment.

- Economic benefits of a coal-fired plant are much greater than gas, the study says, because:
- The capital cost for construction of a coal-fired plant is more than 2.5 times that of a plant of the same size fueled by gas;
- Employment at a coal plant and mine that supplies it will be more than six times the employment at a gas plant; and
- Most of the money spent on fuel supply, a power-plant's largest operating cost, stays in the state for a coal plant, but goes out of state for a gas plant.
- Peabody stillings and Kentucky projects are in varying stages of development. Current plans call for the plants to be operating in 2007 of 2008.
- Thoroughbred received its air permittin 2002: And last year Praint State signed a transmission agreement and received a water withdrawl permit

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CAVING IN 3535

Mammoth Cave National Park includes the longest cave known on Earth. But Kentuckyians are just as proud of its surface activities, which include backpacking and hiking on 70 miles of rugged trails and angling and canoeing on more than 30 miles of the Green and Nolin Rivers. So when the Kentucky Division for Air Quality approved construction of a coalfired power plant just 50 miles west of the park, the Cumberland Chapter and local conservation groups immediately appealed the decision. Mammoth Cave already has the worst average visibility of all national parks, and Peabody Energy's 1,500-megawatt coal-fired plant would release 22 million pounds of sulfur dioxide into Kentucky skies every year.

But the Interior Department signed off on the state's project, saying that the plant can initially operate at high emissions levels, with the company promising to lower them after two years. Environmentalists suspect that the cozy compromise is related to the fact that Peabody is a major Republican contributor, and its chair, Irl Engelhardt, was an energy adviser to the Bush-Cheney transition team. Club activists want Kentucky to require Peabody to use "best available" pollution-control technology as mandated by the Clean Air Act—and they'll work on securing best available decision-makers in the next election.

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Boiler Industry: Surviving Rough Waters

By: Brian K. Schimmoller, Managing Editor

Market forces have dampened activity in the boiler industry, but various factors are sustaining a suprising level of interest.

The boiler industry, which has gone through several ups and downs in recent years, sits in choppy waters these days, buffeted on all sides by an array of economic, regulatory and financial issues. At the beginning of the gas turbine boom, the boiler market - outside of heat recovery steam generators - was flat to nonexistent. Environmental pressures, pending legal action against a number of coal plant owners, and the higher cost and longer development times associate with boiler plants, kept the market stagnant.

In the midst of the gas turbine boom, however, fortunes turned and the boiler industry looked poised for substantial growth, as high gas prices and concerns about fuel security led many utilities and plant developers to seriously evaluate coal-fired boilers for meeting future demand. Upwards of 50,000 MW of coal-fired boiler capacity was in some phase of development in early 2001.

The economic downturn, coupled with the financial and credit crunch in the power generation industry in late 2001 and 2002, turned the tables on the boiler market again, and many of the solid-fuel boiler plants under development quietly made their way to the back burner. New orders for HRSGs began to slow during this time as well, in line with the overall industry slowdown and the rash of power plant project cancellations.

Which brings us to early 2003. Gas prices have risen substantially, but the price rise has not reinvigorated the boiler market - yet. With reserve margins climbing as new gas-fired power plants come on-line, and with economic activity still subdued, developers are taking a much more cautious approach than they did two years ago. The effect of liquefied natural gas (LNG) has also been amplified. "LNG terminal operators and developers claim they can deliver gas to the U.S. coast for less than \$4.00/MMBtu," said Dennie Hunt, chairman of the board of the American Boiler Manufacturers Association (ABMA). "I've also heard from power plant owners that they will favor gas turbine-based plants over solid-fuel plants at gas prices up to \$4.50-4.75/MMBtu." This changes the historic economic equation with respect to boiler development.

Still, the longer higher gas prices persist, the more attractive coal-fired power plants become - and the potential for a tight domestic gas market remains quite high. "A record level of domestic drilling for natural gas in 2001 failed to produce the desired supply response necessary to adequately fuel the new generation of gas-fired capacity already installed, and with many more units continuing through



Norld Wide Web Edition

construction in 2003, this undersupply trend is anticipated to continue," said Bernard H. Cherry, president and CEO of Foster Wheeler Power Group Inc. Despite gas prices of \$4 and \$5/MMBtu, twice the traditional market levels, domestic drilling activity continues to stagnate.

New Capacity Requirements

A valid question facing boiler developers is how much new capacity will be needed over the next several years. With 27 GW of new capacity brought on-line in 2000, 43 GW in 2001, about 62 GW in 2002, and another 25-30 GW planned for completion in 2003 - almost exclusively gas-turbine capacity - the need for additional capacity is uncertain. In its recently released Annual Energy Outlook, the Energy Information Administration projects the need for 164 GW of capacity between 2001 and 2010. However, with more than half of that total already in operation by 2003, the market for new generation through 2010 comes in well below 10 GW per year. EIA predicts 74 GW of new coal-fired capacity between 2001 and 2025, 17 percent of the new capacity total (428 GW), but almost all of that is projected for operation after 2010.

The end of the gas turbine boom is forcing everyone to re-evaluate growth plans. Absent a 1990s-type economic boom, growth will be limited for the next several years. "I don't expect the industry to come out of the current slump in new orders until 2006/07," said Hunt. "And when new orders do come, it's not clear if the new orders will be filled by new equipment or by the growing number of gas turbines and HRSGs in storage or never completed." This introduces yet another uncertainty factor to the boiler market.

The industrial side of the boiler market faces similar challenges. "The industrial boiler market is almost entirely dependent on the economy and the removal of regulatory and economic uncertainty." said Randy Rawson, president of ABMA. "Until the markets calm down and we experience significant growth in manufacturing, I don't see managers making decisions for major upgrades and optimizations. For industrial boiler owners, the key is New Source Review, and whether people will be able to make confident long-term capital decisions regarding equipment upgrades."

The makeup and operation of electricity markets will also influence the boiler market. For example, given the current economics of electricity sales, changes in how the value of coal-fired generation is perceived are bound to result. As gas prices escalate, the "coal spark spread" (difference between power prices and coal prices) rapidly increases as well, which significantly improves the profitability and value of coal-fired units.

"The year-on-year change in coal spark spread in fourth quarter 2002 from fourth quarter 2001 was up approximately 140 percent - at \$20.85/MWh versus \$8.80/MWh," said Foster Wheeler's Cherry. "This was partly due to a 40 percent increase in electricity price, year-on-year, in parallel with a modest decline in coal prices. Power-generation industry participants, with large proportions of coal-fired generation, are currently seen to have significant potential for earnings-per-share improvements, while predominantly gas-dependent electricity producers are expected to see declining earnings, despite the higher electricity price levels. If this paradigm shift in fuel prices for electricity continues, the boiler industry could have no better promotion than the actual economics of daily electricity sales."

Regulatory Certainty

With the Republican Party attaining control of both houses of Congress, and with recent actions from the Bush Administration pertaining to environmental issues, many boiler-related participants are optimistic about finally achieving the environmental certainty that will permit capital improvements. Whether it's piecemeal, through individual legislative and regulatory proceedings, or comprehensive, through an energy bill, is open to debate, but it's likely that 2003 will see movement on a range of issues, including New Source Review, multi-pollutant control, and renewable portfolio standards. "If



Vorld Wide Web Edition

the Republican Congress doesn't capitalize on this opportunity to take some regulatory and legislative action with respect to environmental certainty, it will be a major disappointment," said Rawson.

The Bush Administration is already moving on New Source Review (NSR). In late November 2002, the EPA proposed revisions designed to overhaul the NSR Program under the Clean Air Act, making it easier for power plants to upgrade or perform maintenance without triggering New Source Review. EPA is also seeking comment on language defining how routine maintenance, repair and replacement (RMRR) activities would be handled, a controversial issue with a lengthy history.

The new NSR provisions could make projects such as the steam turbine upgrade at Xcel Energy's Valmont plant in Colorado more common. Valmont spent \$15 million to increase their steam turbine capacity from 181 to 195 MW without increasing Btu input, according to Thomas Hewson, principal with Energy Ventures Analysis, in a report published in Electric Light & Power. Heat rate at Valmont fell from 10,400 Btu/kWh to 9,272 Btu/kWh, an 11 percent improvement.

"If the NSR is issued as the Bush administration proposed it, you'll see much more investment such as Valmont's with accompanying improvements in heat rate," said Hewson. Moreover, the investment risks tagged to such projects will likely be orders of magnitude lower than those associated with new boiler construction projects. The fate of the proposed NSR revisions is not certain, however, as several Congressional critics have promised to effectively kill the new rules by refusing to allow EPA to spend money on implementation or enforcement.

Project Development

Although new boiler-based project development has slowed in the past year, it has not stalled completely. Several large-scale projects continue. Although Reliant Energy has had to cancel or delay at least a half-dozen projects - primarily gas-fired turbine projects - because of market and financial conditions, construction never slowed at its Seward plant in western Pennsylvania. The 521 MW (net) waste-coal-fired merchant fluidized bed boiler project, which Reliant is developing with EPC contractors Duke/Fluor Daniel and Alstom Power, is within budget and on-schedule for a May 1, 2004 operational date.

Construction was about 65 percent complete as of mid-January 2003, with all major materials on-site. Somewhat ironically, Seward actually benefited from the industry slowdown, since the anticipated labor shortage associated with power plant construction never materialized, according to Mike Proffit, Reliant Project Engineering Manager.

Reliant Energy is on budget and on schedule for a May 2004 start-up of the 521 MW (net) waste coal-fired fluidized bed boiler at the Seward plant in western Pennsylvania. Photo courtesy of Reliant Energy.

Seward recently passed one of its main project milestones, completing site remediation tasks associated with the 3.5 million tons of waste fuel impounded on-site from previous activities. Mixing one part waste fuel with one part CFB ash from three nearby plants, Reliant remediated much of the 100-acre site with anywhere from 5 feet to 40 feet of material, according to Project Manager Rick Blanchette.

Despite the relatively low power prices around the country for the past year. Seward sits in a prime dispatch position. "The boiler market is not very active right now because of the broader slowdown in demand, but we'll be the low-cost producer in the PJM market," said Proffit. Seward will provide two-and-half-times more power than the unit it is replacing, but will emit 74 percent less NOx, 85 percent less SO2, and 90 percent less particulate matter.

The Omaha Public Power District plans to build another coal-fired boiler unit at its Nebraska City



Norld Wide Web Edition

Plant south of Omaha. Photo courtesy of Omaha Public Power District.

Peabody Energy is actively courting the merchant power market as well. The Thoroughbred Energy Station, a 1500 MW pulverized coal boiler in western Kentucky, cleared a major regulatory hurdle in November when the Kentucky Natural Resources Council issued an air quality permit to the plant. Considerable opposition to the plant exists, and construction and water withdrawal permits are still pending, but Peabody is optimistic about its future, citing a potential return to supply shortfalls when the economy returns to normal growth rates. Peabody is still seeking partners for the project.

Wisconsin Public Service Corp. (WPSC) has proposed an additional boiler unit at its Weston Plant in central Wisconsin, and awarded a contract in January to Black & Veatch for conceptual and detailed engineering, permitting support, and procurement assistance. "Some of our power plants are getting old and are more difficult to maintain." said Tom Meinz, senior vice president of WPSC. "That issue, in conjunction with steady growth in electric demand, are the major reasons for this much-needed addition to our system."

WSPC selected coal as the fuel for the 500 MW Weston Unit 4 in part to avoid the significant fluctuations in the price of natural gas in recent years, according to Meinz. The plant will rely on supercritical boiler technology to achieve the higher efficiency and lower emissions required of modern coal-fired power plants.

Farther west, MidAmerican Energy Company is proceeding with plans to add a fourth PRB coal-fired boiler unit at its Council Bluffs Energy Center in Iowa by 2007. MidAmerican has entered into a joint ownership agreement with 14 other utilities to take all of the plant's approximately 750 MW, according to spokesman Kevin Waetke, and is currently in the process of defining EPC specifications and obtaining the necessary permits. Groundbreaking is expected later this year.

Non-IOU Development

Also prominent in the development of new boiler projects are the electric cooperatives, state and municipal utilities, and public power agencies. East Kentucky Power Cooperative began construction of the Gilbert Unit at its Spurlock Station last summer, with on-line operation set for spring 2005. Gilbert will feature a 268 MW multi-fuel fluidized bed boiler that will fire coal as well as several million tires a year and up to 150,000 tons of biomass.

Sunflower Electric Power Corporation, a Hays, Kans.-based cooperative, received an air quality construction permit in October from the Kansas Department of Health and Environment for a new 600 MW coal-fired power plant to be built on the site of the existing Holcomb Unit 1. The permit authorizes Sand Sage Power LLC, a Sunflower subsidiary, to install and operate a pulverized-coal boiler, one natural gas auxiliary boiler, and a new cooling tower, and authorizes changes to the existing coal, lime and ash handling systems, which will be shared between Holcomb and Sage.

Sunflower is proceeding with activities to secure water for the new plant and to finalize the EPC contract, according to spokesman Steve Miller. In the plant's favor is the fact that 12 legitimate prospects have been identified to buy power from the facility, some of which have also indicated an interest in ownership in the plant. A hurdle yet to be scaled concerns transmission. "We have to have continued cooperation from the RTOs and perhaps from the state of Kansas to give us the ability to reliably move power around the state and the region," said Noman Williams, senior manager of transmission services for Sunflower. Sunflower expects the unit to come on-line in 2007.

In South Carolina, site preparation has begun for the \$675 million coal-fired boiler expansion at Santee Cooper's Cross Station, and 12 contracts have been let totaling \$282 million, according to Willard Strong, spokesman for the state-owned utility. Originally approved in May 2001 as a 500 MW power plant, the Santee Cooper Board of Directors subsequently approved an upgrade to 600 MW in light



Norld Wide Web Edition

of projected demand growth in South Carolina. Parsons Energy and Chemicals has been hired as the A/E for the project and a subcritical boiler from Alstom Power has been ordered. Construction is expected to begin soon after environmental permits are received, which is expected in the first quarter of 2003. On-line operation is scheduled for January 2007.

The Omaha Public Power District received approval in mid-2002 from the Nebraska Power Review Board to build up to 600 MW of coal-fired capacity on the site of OPPD's Nebraska City plant. The size of the boiler could be anywhere from 300 MW, enough to satisfy OPPD's projected native load growth, up to 600 MW, if OPPD can secure customers for the additional output, according to OPPD spokesman Mike Jones. OPPD is currently evaluating proposals from various regional utilities for buying power from the plant, and is also pursuing permits for the plant, which is scheduled for operation in 2009.

The state of Illinois is actively courting new coal-fired power plant development. Peabody Energy is pursuing a sister station to Thoroughbred in southern Illinois, and the state of Illinois is offering various project subsidies and tax benefits that have attracted other plant developers.

Though rather small, at 91 MW, and funded in part by the state of Illinois and the U.S. Department of Energy, the Corn Belt Energy Generation Cooperative plant in southern Logan County reflects the importance Illinois still places on its native coal resources. Corn Belt will integrate a natural circulation boiler with advanced low NOx combustion and emission control technologies. The combustor is a Babcock Power Inc. U-fired furnace that converts nearly all of the coal ash to a glass-like slag by-product which is one-third the volume of a conventional boiler. The slag is inert and can be used in the construction industry, eliminating the high cost for ash disposal and storage.

Back Burner

On the other side of the ledger, a variety of factors have forced several entities to cancel or delay boiler projects in recent months. Great River Energy, which hoped to build a 300-500 MW lignite-fired power plant in North Dakota, announced on Dec. 31 that it had halted its feasibility study "primarily because our latest load projections indicate an intermediate, or combined-cycle, power plant in Minnesota would better serve the needs of our customers." said Tim Seck, leader of GRE's baseload study team. Seck also cited the regulatory risks associated with transmission policy and the high cost of transmission in delivering the electricity to GRE's customers in Minnesota.

NRG Energy, due in large part to its financial and debt-related problems, has shelved plans, at least temporarily, to develop an additional supercritical coal-fired boiler unit at its Big Cajun facility in Louisiana. Duke Energy decided to halt its pursuit of a coal-fired power plant in Virginia in September based on the economic feasibility of the project. And while Wisconsin Energy remains committed to its "Power the Future" program, it is facing significant public opposition to its plans to develop three supercritical boiler units at its Oak Creek plant. City officials in Oak Creek announced in November that they oppose plans for the new units, citing the environmental impacts of an additional "70,000 tons of pollution." One compromise option reportedly under consideration is scaling the program back to two new coal units rather than three.

The fact that some plants are moving forward while others are not reinforces the site-specific nature of boiler projects. Any belief that a boom in boiler projects could mirror the boom in gas turbine projects in terms of size and speed is fundamentally flawed, and ignores the many more complicating factors attendant to boiler projects - including higher capital costs, longer development and construction schedules, complex permitting and emissions control requirements, and a host of other public concerns (noise, road traffic, visual impact, land use).

Moving forward, it will be interesting to track the dynamics between the new boiler plants and the existing boiler fleet. Will the new boilers knock the older boilers far enough down the dispatch order to force their retirement? With maintenance spending for existing plants significantly down and/or



Norld Wide Web Edition

delayed at most facilities, are existing plants engineering their own demise? Will new plants be able to accommodate future emissions control requirements more effectively than the older plants? Will the promised efficiency and environmental performance of the new units convince skeptics that "clean coal" is not an oxymoron?

The Next Boom

When the next "boom" or "boomlet" hits the power industry, probably not until the latter half of this decade, the mix of technologies will likely be much different than the turbine-dominated boom just completed. "The next round of power plant orders in the U.S. won't be all gas turbine combined cycles," said Del Williamson, President of Sales for GE Power Systems. Renewable energy technologies will likely make additional inroads, but the boiler industry will be an important part of the mix as well.

Click here to enlarge image

Advanced technology boiler plants - gasification, fluidized bed combustion, and supercritical and ultrasupercritical steam cycles - designed and equipped for minimal emissions and maximum efficiency, will likely be more common. Movement in this direction is already occurring, as indicated by Reliant's Seward plant, the fluidized bed repowering of JEA's Northside power plant (Power Engineering, Dec. 2002), and the selection of supercritical steam cycles for Wisconsin Public Service Corp.'s Weston Unit 4 and EPCOR's new 450 MW coal unit at the Genesee plant near Edmonton, Alberta.

Moreover, public-private R&D is under way around the world to identify, evaluate, and qualify materials technology for construction of coal-fired boilers with advanced steam cycles capable of operating at much higher efficiencies than current state-of-the-art facilities. Efficiency gains of at least 8-10 percent are expected, for example, through the materials technology being developed in a collaborative program led by EPRI and DOE.

The efficiency increase will be achieved principally through development and application of materials technology suitable for reliable operation under ultrasupercritical steam conditions, according to Dr. R. Viswanathan, EPRI Project Manager. Alloy development and evaluation programs being carried out in Europe and Japan

have identified ferritic steels capable of meeting the duty requirements of ultrasupercritical plants to approximately 1150 F. A European project is under way to achieve steam conditions of about 1290 F and 5500 psi with the help of nickel-based alloys.

The collaborative U.S. program includes work to identify, fabricate, and test advanced materials and coatings with mechanical properties, oxidation resistance, and fireside corrosion resistance suitable for cost-competitive boiler operation at steam temperatures of up to 1400 F at 5500 psi. In addition, exploratory attention is being given to the materials issues impacting boiler design and operation at temperatures as high as 1600 F. The project is funded through the DOE's National Energy Technology Laboratory, co-funded by the Ohio Coal Development Office, and managed by Energy Industries of Ohio. EPRI is providing overall technical direction and coordination. Participants at present include the domestic boiler manufacturers, i.e., Alstom Power Inc., Babcock Power Inc., Babcock & Wilcox Company, and Foster Wheeler Inc., as well as Oak Ridge National Laboratory.

In the first year of the 5-year program, preliminary studies have been completed for two alternate ultrasupercritical boiler designs. Areas exposed to different temperatures and pressures have been mapped, and piping and tubing dimensions have been delineated. Candidate materials for piping, headers, superheater/reheater (SH/RH) tubing, and waterwall panels have been identified.

For piping and headers, a candidate ferritic material has been identified for temperatures up to 1150



Norld Wide Web Edition

F; and nickel-based alloys such as Nimonic 230 and Inco 740 have been identified as candidates for higher temperatures. For SH/RH tubing, these same nickel-based alloys will be considered for the highest temperatures, while several austenitic steels are being considered for intermediate temperatures. For waterwall panels, T92 and T23 seem to be alternate candidates.

"Due to limitations in the strength of available alloys, initial analyses have focused on a boiler design with a steam cycle operating at about 1350-1400 F at 5500 psi," said Viswanathan. Unit efficiency is estimated to be about 46 percent for a single reheat cycle and 48 percent for a double reheat cycle; this design is estimated to reduce CO2 emissions by 15-22 percent. Based on these efficiency advantages, EPRI performed breakeven cost analyses to assess critical cost considerations:

- * Based on a 20-year breakeven consideration, assumed capacity factor of 80 percent, and coal cost of \$1.50/MMBtu, an ultrasupercritical plant can be cost-competitive even if it costs 12-15 percent more than a comparable-scale facility built using conventional boiler and cycle designs.
- * Boiler and steam turbine capital costs can be higher by 40-50 percent and still be competitive.
- * Balance-of-plant costs are expected to be 13-16 percent lower than those for existing boiler and cycle designs due to reduced coal handling, pollution control and other auxiliary components.

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Boilers: Surviving Rough Waters

By: Brian K. Schimmoller, Managing Editor

Market forces have dampened activity in the boiler industry, but various factors are sustaining a suprising level of interest.

The boiler industry, which has gone through several ups and downs in recent years, sits in choppy waters these days, buffeted on all sides by an array of economic, regulatory and financial issues. At the beginning of the gas turbine boom, the boiler market - outside of heat recovery steam generators - was flat to nonexistent. Environmental pressures, pending legal action against a number of coal plant owners, and the higher cost and longer development times associate with boiler plants, kept the market stagnant.

In the midst of the gas turbine boom, however, fortunes turned and the boiler industry looked poised for substantial growth, as high gas prices and concerns about fuel security led many utilities and plant developers to seriously evaluate coal-fired boilers for meeting future demand. Upwards of 50,000 MW of coal-fired boiler capacity was in some phase of development in early 2001.

The economic downturn, coupled with the financial and credit crunch in the power generation industry in late 2001 and 2002, turned the tables on the boiler market again, and many of the solid-fuel boiler plants under development quietly made their way to the back burner. New orders for HRSGs began to slow during this time as well, in line with the overall industry slowdown and the rash of power plant project cancellations.

Which brings us to early 2003. Gas prices have risen substantially, but the price rise has not reinvigorated the boiler market - yet. With reserve margins climbing as new gas-fired power plants come on-line, and with economic activity still subdued, developers are taking a much more cautious approach than they did two years ago. The effect of liquefied natural gas (LNG) has also been amplified. "LNG terminal operators and developers claim they can deliver gas to the U.S. coast for less than \$4.00/MMBtu," said Dennie Hunt, chairman of the board of the American Boiler Manufacturers Association (ABMA). "I've also heard from power plant owners that they will favor gas turbine-based plants over solid-fuel plants at gas prices up to \$4.50-4.75/MMBtu." This changes the historic economic equation with respect to boiler development.

Still, the longer higher gas prices persist, the more attractive coal-fired power plants become - and the potential for a tight domestic gas market remains quite high. "A record level of domestic drilling for natural gas in 2001 failed to produce the desired supply response necessary to adequately fuel the new generation of gas-fired capacity already installed, and with many more units continuing through



World Wide Web Edition

construction in 2003, this undersupply trend is anticipated to continue," said Bernard H. Cherry, president and CEO of Foster Wheeler Power Group Inc. Despite gas prices of \$4 and \$5/MMBtu, twice the traditional market levels, domestic drilling activity continues to stagnate.

New Capacity Requirements

A valid question facing boiler developers is how much new capacity will be needed over the next several years. With 27 GW of new capacity brought on-line in 2000, 43 GW in 2001, about 62 GW in 2002, and another 25-30 GW planned for completion in 2003 - almost exclusively gas-turbine capacity - the need for additional capacity is uncertain. In its recently released Annual Energy Outlook, the Energy Information Administration projects the need for 164 GW of capacity between 2001 and 2010. However, with more than half of that total already in operation by 2003, the market for new generation through 2010 comes in well below 10 GW per year. EIA predicts 74 GW of new coal-fired capacity between 2001 and 2025, 17 percent of the new capacity total (428 GW), but almost all of that is projected for operation after 2010.

The end of the gas turbine boom is forcing everyone to re-evaluate growth plans. Absent a 1990s-type economic boom, growth will be limited for the next several years. "I don't expect the industry to come out of the current slump in new orders until 2006/07," said Hunt. "And when new orders do come, it's not clear if the new orders will be filled by new equipment or by the growing number of gas turbines and HRSGs in storage or never completed." This introduces yet another uncertainty factor to the boiler market.

The industrial side of the boiler market faces similar challenges. "The industrial boiler market is almost entirely dependent on the economy and the removal of regulatory and economic uncertainty," said Randy Rawson, president of ABMA. "Until the markets calm down and we experience significant growth in manufacturing, I don't see managers making decisions for major upgrades and optimizations. For industrial boiler owners, the key is New Source Review, and whether people will be able to make confident long-term capital decisions regarding equipment upgrades."

The makeup and operation of electricity markets will also influence the boiler market. For example, given the current economics of electricity sales, changes in how the value of coal-fired generation is perceived are bound to result. As gas prices escalate, the "coal spark spread" (difference between power prices and coal prices) rapidly increases as well, which significantly improves the profitability and value of coal-fired units.

"The year-on-year change in coal spark spread in fourth quarter 2002 from fourth quarter 2001 was up approximately 140 percent - at \$20.85/MWh versus \$8.80/MWh," said Foster Wheeler's Cherry. "This was partly due to a 40 percent increase in electricity price, year-on-year, in parallel with a modest decline in coal prices. Power-generation industry participants, with large proportions of coal-fired generation, are currently seen to have significant potential for earnings-per-share improvements, while predominantly gas-dependent electricity producers are expected to see declining earnings, despite the higher electricity price levels. If this paradigm shift in fuel prices for electricity continues, the boiler industry could have no better promotion than the actual economics of daily electricity sales."

Regulatory Certainty

With the Republican Party attaining control of both houses of Congress, and with recent actions from the Bush Administration pertaining to environmental issues, many boiler-related participants are optimistic about finally achieving the environmental certainty that will permit capital improvements. Whether it's piecemeal, through individual legislative and regulatory proceedings, or comprehensive, through an energy bill, is open to debate, but it's likely that 2003 will see movement on a range of issues, including New Source Review, multi-pollutant control, and renewable portfolio standards. "If



World Wide Web Edition

the Republican Congress doesn't capitalize on this opportunity to take some regulatory and legislative action with respect to environmental certainty, it will be a major disappointment," said Rawson.

The Bush Administration is already moving on New Source Review (NSR). In late November 2002, the EPA proposed revisions designed to overhaul the NSR Program under the Clean Air Act, making it easier for power plants to upgrade or perform maintenance without triggering New Source Review. EPA is also seeking comment on language defining how routine maintenance, repair and replacement (RMRR) activities would be handled, a controversial issue with a lengthy history.

The new NSR provisions could make projects such as the steam turbine upgrade at Xcel Energy's Valmont plant in Colorado more common. Valmont spent \$15 million to increase their steam turbine capacity from 181 to 195 MW without increasing Btu input, according to Thomas Hewson, principal with Energy Ventures Analysis, in a report published in Electric Light & Power. Heat rate at Valmont fell from 10,400 Btu/kWh to 9,272 Btu/kWh, an 11 percent improvement.

"If the NSR is issued as the Bush administration proposed it, you'll see much more investment such as Valmont's with accompanying improvements in heat rate," said Hewson. Moreover, the investment risks tagged to such projects will likely be orders of magnitude lower than those associated with new boiler construction projects. The fate of the proposed NSR revisions is not certain, however, as several Congressional critics have promised to effectively kill the new rules by refusing to allow EPA to spend money on implementation or enforcement.

Project Development

Although new boiler-based project development has slowed in the past year, it has not stalled completely. Several large-scale projects continue. Although Reliant Energy has had to cancel or delay at least a half-dozen projects - primarily gas-fired turbine projects - because of market and financial conditions, construction never slowed at its Seward plant in western Pennsylvania. The 521 MW (net) waste-coal-fired merchant fluidized bed boiler project, which Reliant is developing with EPC contractors Duke/Fluor Daniel and Alstom Power, is within budget and on-schedule for a May 1, 2004 operational date.

Construction was about 65 percent complete as of mid-January 2003, with all major materials on-site. Somewhat ironically, Seward actually benefited from the industry slowdown, since the anticipated labor shortage associated with power plant construction never materialized, according to Mike Proffit, Reliant Project Engineering Manager.

Reliant Energy is on budget and on schedule for a May 2004 start-up of the 521 MW (net) waste coal-fired fluidized bed boiler at the Seward plant in western Pennsylvania. Photo courtesy of Reliant Energy.

Seward recently passed one of its main project milestones, completing site remediation tasks associated with the 3.5 million tons of waste fuel impounded on-site from previous activities. Mixing one part waste fuel with one part CFB ash from three nearby plants, Reliant remediated much of the 100-acre site with anywhere from 5 feet to 40 feet of material, according to Project Manager Rick Blanchette.

Despite the relatively low power prices around the country for the past year, Seward sits in a prime dispatch position. "The boiler market is not very active right now because of the broader slowdown in demand, but we'll be the low-cost producer in the PJM market," said Proffit. Seward will provide two-and-half-times more power than the unit it is replacing, but will emit 74 percent less NOx, 85 percent less SO2, and 90 percent less particulate matter.

The Omaha Public Power District plans to build another coal-fired boiler unit at its Nebraska City



World Wide Web Edition

Plant south of Omaha. Photo courtesy of Omaha Public Power District.

Peabody Energy is actively courting the merchant power market as well. The Thoroughbred Energy Station, a 1500 MW pulverized coal boiler in western Kentucky, cleared a major regulatory hurdle in November when the Kentucky Natural Resources Council issued an air quality permit to the plant. Considerable opposition to the plant exists, and construction and water withdrawal permits are still pending, but Peabody is optimistic about its future, citing a potential return to supply shortfalls when the economy returns to normal growth rates. Peabody is still seeking partners for the project.

Wisconsin Public Service Corp. (WPSC) has proposed an additional boiler unit at its Weston Plant in central Wisconsin, and awarded a contract in January to Black & Veatch for conceptual and detailed engineering, permitting support, and procurement assistance. "Some of our power plants are getting old and are more difficult to maintain," said Tom Meinz, senior vice president of WPSC. "That issue, in conjunction with steady growth in electric demand, are the major reasons for this much-needed addition to our system."

WSPC selected coal as the fuel for the 500 MW Weston Unit 4 in part to avoid the significant fluctuations in the price of natural gas in recent years, according to Meinz. The plant will rely on supercritical boiler technology to achieve the higher efficiency and lower emissions required of modern coal-fired power plants.

Farther west, MidAmerican Energy Company is proceeding with plans to add a fourth PRB coal-fired boiler unit at its Council Bluffs Energy Center in Iowa by 2007. MidAmerican has entered into a joint ownership agreement with 14 other utilities to take all of the plant's approximately 750 MW, according to spokesman Kevin Waetke, and is currently in the process of defining EPC specifications and obtaining the necessary permits. Groundbreaking is expected later this year.

Non-IOU Development

Also prominent in the development of new boiler projects are the electric cooperatives, state and municipal utilities, and public power agencies. East Kentucky Power Cooperative began construction of the Gilbert Unit at its Spurlock Station last summer, with on-line operation set for spring 2005. Gilbert will feature a 268 MW multi-fuel fluidized bed boiler that will fire coal as well as several million tires a year and up to 150,000 tons of biomass.

Sunflower Electric Power Corporation, a Hays, Kans.-based cooperative, received an air quality construction permit in October from the Kansas Department of Health and Environment for a new 600 MW coal-fired power plant to be built on the site of the existing Holcomb Unit 1. The permit authorizes Sand Sage Power LLC, a Sunflower subsidiary, to install and operate a pulverized-coal boiler, one natural gas auxiliary boiler, and a new cooling tower, and authorizes changes to the existing coal, lime and ash handling systems, which will be shared between Holcomb and Sand Sage.

Sunflower is proceeding with activities to secure water for the new plant and to finalize the EPC contract, according to spokesman Steve Miller. In the plant's favor is the fact that 12 legitimate prospects have been identified to buy power from the facility, some of which have also indicated an interest in ownership in the plant. A hurdle yet to be scaled concerns transmission. "We have to have continued cooperation from the RTOs and perhaps from the state of Kansas to give us the ability to reliably move power around the state and the region," said Noman Williams, senior manager of transmission services for Sunflower. Sunflower expects the unit to come on-line in 2007.

In South Carolina, site preparation has begun for the \$675 million coal-fired boiler expansion at Santee Cooper's Cross Station, and 12 contracts have been let totaling \$282 million, according to Willard Strong, spokesman for the state-owned utility. Originally approved in May 2001 as a 500 MW power plant, the Santee Cooper Board of Directors subsequently approved an upgrade to 600 MW in light



World Wide Web Edition

of projected demand growth in South Carolina. Parsons Energy and Chemicals has been hired as the A/E for the project and a subcritical boiler from Alstom Power has been ordered. Construction is expected to begin soon after environmental permits are received, which is expected in the first quarter of 2003. On-line operation is scheduled for January 2007.

The Omaha Public Power District received approval in mid-2002 from the Nebraska Power Review Board to build up to 600 MW of coal-fired capacity on the site of OPPD's Nebraska City plant. The size of the boiler could be anywhere from 300 MW, enough to satisfy OPPD's projected native load growth, up to 600 MW, if OPPD can secure customers for the additional output, according to OPPD spokesman Mike Jones. OPPD is currently evaluating proposals from various regional utilities for buying power from the plant, and is also pursuing permits for the plant, which is scheduled for operation in 2009.

The state of Illinois is actively courting new coal-fired power plant development. Peabody Energy is pursuing a sister station to Thoroughbred in southern Illinois, and the state of Illinois is offering various project subsidies and tax benefits that have attracted other plant developers.

Though rather small, at 91 MW, and funded in part by the state of Illinois and the U.S. Department of Energy, the Corn Belt Energy Generation Cooperative plant in southern Logan County reflects the importance Illinois still places on its native coal resources. Corn Belt will integrate a natural circulation boiler with advanced low NOx combustion and emission control technologies. The combustor is a Babcock Power Inc. U-fired furnace that converts nearly all of the coal ash to a glass-like slag by-product which is one-third the volume of a conventional boiler. The slag is inert and can be used in the construction industry, eliminating the high cost for ash disposal and storage.

Back Burner

On the other side of the ledger, a variety of factors have forced several entities to cancel or delay boiler projects in recent months. Great River Energy, which hoped to build a 300-500 MW lignite-fired power plant in North Dakota, announced on Dec. 31 that it had halted its feasibility study "primarily because our latest load projections indicate an intermediate, or combined-cycle, power plant in Minnesota would better serve the needs of our customers," said Tim Seck, leader of GRE's baseload study team. Seck also cited the regulatory risks associated with transmission policy and the high cost of transmission in delivering the electricity to GRE's customers in Minnesota.

NRG Energy, due in large part to its financial and debt-related problems, has shelved plans, at least temporarily, to develop an additional supercritical coal-fired boiler unit at its Big Cajun facility in Louisiana. Duke Energy decided to halt its pursuit of a coal-fired power plant in Virginia in September based on the economic feasibility of the project. And while Wisconsin Energy remains committed to its "Power the Future" program, it is facing significant public opposition to its plans to develop three supercritical boiler units at its Oak Creek plant. City officials in Oak Creek announced in November that they oppose plans for the new units, citing the environmental impacts of an additional "70,000 tons of pollution." One compromise option reportedly under consideration is scaling the program back to two new coal units rather than three.

The fact that some plants are moving forward while others are not reinforces the site-specific nature of boiler projects. Any belief that a boom in boiler projects could mirror the boom in gas turbine projects in terms of size and speed is fundamentally flawed, and ignores the many more complicating factors attendant to boiler projects - including higher capital costs, longer development and construction schedules, complex permitting and emissions control requirements, and a host of other public concerns (noise, road traffic, visual impact, land use).

Moving forward, it will be interesting to track the dynamics between the new boiler plants and the existing boiler fleet. Will the new boilers knock the older boilers far enough down the dispatch order to force their retirement? With maintenance spending for existing plants significantly down and/or



World Wide Web Edition

delayed at most facilities, are existing plants engineering their own demise? Will new plants be able to accommodate future emissions control requirements more effectively than the older plants? Will the promised efficiency and environmental performance of the new units convince skeptics that "clean coal" is not an oxymoron?

The Next Boom

When the next "boom" or "boomlet" hits the power industry, probably not until the latter half of this decade, the mix of technologies will likely be much different than the turbine-dominated boom just completed. "The next round of power plant orders in the U.S. won't be all gas turbine combined cycles," said Del Williamson, President of Sales for GE Power Systems. Renewable energy technologies will likely make additional inroads, but the boiler industry will be an important part of the mix as well.

Advanced technology boiler plants - gasification, fluidized bed combustion, and supercritical and ultrasupercritical steam cycles - designed and equipped for minimal emissions and maximum efficiency, will likely be more common. Movement in this direction is already occurring, as indicated by Reliant's Seward plant, the fluidized bed repowering of JEA's Northside power plant (Power Engineering, Dec. 2002), and the selection of supercritical steam cycles for Wisconsin Public Service Corp.'s Weston Unit 4 and EPCOR's new 450 MW coal unit at the Genesee plant near Edmonton, Alberta.

Moreover, public-private R&D is under way around the world to identify, evaluate, and qualify materials technology for construction of coal-fired boilers with advanced steam cycles capable of operating at much higher efficiencies than current state-of-the-art facilities. Efficiency gains of at least 8-10 percent are expected, for example, through the materials technology being developed in a collaborative program led by EPRI and DOE.

The efficiency increase will be achieved principally through development and application of materials technology suitable for reliable operation under ultrasupercritical steam conditions, according to Dr. R. Viswanathan, EPRI Project Manager. Alloy development and evaluation programs being carried out in Europe and Japan

have identified ferritic steels capable of meeting the duty requirements of ultrasupercritical plants to approximately 1150 F. A European project is under way to achieve steam conditions of about 1290 F and 5500 psi with the help of nickel-based alloys.

The collaborative U.S. program includes work to identify, fabricate, and test advanced materials and coatings with mechanical properties, oxidation resistance, and fireside corrosion resistance suitable for cost-competitive boiler operation at steam temperatures of up to 1400 F at 5500 psi. In addition, exploratory attention is being given to the materials issues impacting boiler design and operation at temperatures as high as 1600 F. The project is funded through the DOE's National Energy Technology Laboratory, co-funded by the Ohio Coal Development Office, and managed by Energy Industries of Ohio. EPRI is providing overall technical direction and coordination. Participants at present include the domestic boiler manufacturers, i.e., Alstom Power Inc., Babcock Power Inc., Babcock & Wilcox Company, and Foster Wheeler Inc., as well as Oak Ridge National Laboratory.

In the first year of the 5-year program, preliminary studies have been completed for two alternate ultrasupercritical boiler designs. Areas exposed to different temperatures and pressures have been mapped, and piping and tubing dimensions have been delineated. Candidate materials for piping, headers, superheater/reheater (SH/RH) tubing, and waterwall panels have been identified.

For piping and headers, a candidate ferritic material has been identified for temperatures up to 1150 F; and nickel-based alloys such as Nimonic 230 and Inco 740 have been identified as candidates for higher temperatures. For SH/RH tubing, these same nickel-based alloys will be considered for the



World Wide Web Edition

highest temperatures, while several austenitic steels are being considered for intermediate temperatures. For waterwall panels, T92 and T23 seem to be alternate candidates.

"Due to limitations in the strength of available alloys, initial analyses have focused on a boiler design with a steam cycle operating at about 1350-1400 F at 5500 psi," said Viswanathan. Unit efficiency is estimated to be about 46 percent for a single reheat cycle and 48 percent for a double reheat cycle; this design is estimated to reduce CO2 emissions by 15-22 percent. Based on these efficiency advantages, EPRI performed breakeven cost analyses to assess critical cost considerations:

- * Based on a 20-year breakeven consideration, assumed capacity factor of 80 percent, and coal cost of \$1.50/MMBtu, an ultrasupercritical plant can be cost-competitive even if it costs 12-15 percent more than a comparable-scale facility built using conventional boiler and cycle designs.
- \star Boiler and steam turbine capital costs can be higher by 40-50 percent and still be competitive.
- * Balance-of-plant costs are expected to be 13-16 percent lower than those for existing boiler and cycle designs due to reduced coal handling, pollution control and other auxiliary components.

Power Engineering February, 2003

Author (s): Brian Schimmoller

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February 6, 2003

Coal & Energy Price Report, 2/6/03

'Bizarre' arguments of greenies have no basis in fact, Peabody tells EPA

A group of greenies' "bizarre" allegation that the process through which Peabody Energy received an air permit for its Thoroughbred Generating Station (TGS) project was inadequate prompted the nation's largest coal supplier to write a letter to Christine Todd Whitman, administrator of the federal Environmental Protection Agency.

The National Resources Defense Council and other green groups petitioned the EPA to object to the issuance by the Kentucky Natural Resources & Environmental Protection Cabinet, Division of Air Quality of a Title V operating permit for Throughbred.

The greenies claimed that Peabody misled the EPA, the DAQ, or both. In an apparently ill-conceived green groan, the groups implied that Peabody was not forthcoming in detailing the source of coal for the new plant, which would be one of the cleanest coal-burners in the eastern U.S.

"Those allegations are false," Roger Walcott, executive vice president Corporate Development for Peabody, wrote in his letter to Whitman. "We want to set the record straight."

Multiple comment periods were in place during the permit process, and the EPA did not object to the permit during a 45-day period allowed under the federal Clean Air Act. The greenies' "bizarre references" to supposed inaccuracies or insufficiencies in data have no factual basis, a Peabody official told Coal & Energy Price Report.

"The (green groups') petition attempts to create confusion about the source of coal for TGS," Walcott wrote. "Petitioners' fundamental error is that they incorrectly assume that the Gibraltar mine would be the source of the coal for TGS. That is not the case, and TGS has never so represented. Contrary to NRDC's assumption, the coal for (the plant) will not ever come from Gibraltar mine."

Peabody noted to Whitman that it has included in "numerous permit documents" the information that coal for the plant would be drawn from a new Throughbred mine, which has yet to be constructed or put into operation. The new mine would be adjacent to the plant site. Gibraltar, a surface operation, is located east of the proposed plant location.

Coal would be moved by conveyor from the new mine to the plant.

"Over the 30 plus year design life of TGS, the Thoroughbred mine will extend underground in three counties: Muhlenberg, Ohio and McLean," Walcott wrote. "The majority of the TGS site and new mine site will have been or will be underground mined

"From an environmental and mine safety standpoint, this makes the area unsuitable for locating the large surface impoundments needed to treat coal wash slurry. Therefore, any coal washing would have to be performed offsite. The economic and environmental aspects of transportation and offsite coal washing under such conditions are unacceptable for the Thoroughbred project."

Peabody also dismissed greenies' claims that it might use non-representative coal from Gibraltar during two-year, short-term SO2 limitation testing. In fact, Walcott called the notion "a complete fabrication," and why would any of us think that an enviro group would make up stuff to press its agenda?

In fact, "Gibraltar has insufficient reserves to supply TGS, and those reserves are expected to be exhausted prior to TGS becoming operational," Walcott wrote. "Thus the petition is internally inconsistent. Coal from the new mine will be used for the short-term confirmatory test and the duration of the plant's life."

Other claims made by the greenies are equally without merit, according to Peabody.

The opposition from the enviros is somewhat ironic. Thoroughbred has been developed specifically to address the need for clean coal power and will remove up to 98 percent of SO2, according to Peabody.

Successful, the plant might be a harbinger of additional clean coal projects.

February 5, 2003

St. Louis Business Journal - February 5, 2003 http://stlouis.bizjournals.com/stlouis/stories/2003/02/03/daily42.html

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Peabody refutes watchdog group's claims

Peabody Energy is refuting allegations made by an environmental watchdog group that it violated federal regulations in seeking approval for a \$2 billion coal-fired power plant in Kentucky.

In a letter to the Environmental Protection Agency Secretary Christine Todd Whitman, Roger Walcott, executive vice president of corporate development, said a petition filed by a group of environmental watchdog organizations "attempts to create confusion" about the source of coal to be used at its proposed Thoroughbred plant.

Last month, the group, led by the National Resources Defense Council, said in the petition that Peabody violated the Clean Air Act, the federal regulations that implement the act and the Commonwealth of Kentucky's state implementation plan by failing to disclose complete information about the source of coal (http://stlouis.bizjournals.com/stlouis/stories/2003/01/27/daily31.html). The NRDC also said pollution emanating from Thoroughbred would also affect plants, animals and visibility at Mammoth Cave National Park, and would impact the natural environment in which Americans live.

"In contrast to the petitioner's claims, all of Thoroughbred's statements about the new mine are accurate," Walcott said in the letter. "Petitioners appear to simply disagree" with the Kentucky Department of Air Quality's response, the letter said.

Peabody's Thoroughbred plant, a proposed 1,500 megawatt coal-based power plant near Central City, Ky., would begin generating power between 2005 and 2007 and will provide enough electricity for 1.5 million families. It is designed to be the lowest-emitting 1,500 megawatt pulverized coal plant east of the Mississippi River.

St. Louis-based Peabody Energy (NYSE: BTU) is one of the world's largest coal producers.

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Coal Trader, 2/5/03

Kentucky PSC to investigate two coal-fired power projects

The Kentucky Public Service Commission has called for an investigation on two coal-fired plant projects in the state. The commission wants to find out whether East Kentucky Power Cooperative still has a need to purchase power from the long-delayed 540-MW Kentucky Pioneer coal-

fired power project planned by Global Energy, and whether an additional unit at EKPC's Spurlock plant — a unit already under construction — remains necessary.

EKPC had planned to issue a notice of termination on Jan. 31 for purchasing power under a 20-year contract if the Kentucky Pioneer project in Clark County "had not achieved financial closure by that date," the PSC said in a Jan. 30 filing. However, an EKPC official said Monday that the cooperative decided not to follow through with that notice, even though this is not the first time EKPC has threatened to terminate the power purchase agreement if Kentucky Pioneer did not wrap up its financing.

Meanwhile, EKPC is in the process of constructing its third coal-fired unit at Spurlock, also in Clark County. The 268-MW Gilbert unit is scheduled for commercial power production in the spring of 2005. Construction started in the summer, the EKPC official said.

With regard to the Global Energy project, the EKPC official said: "We have a contract with [Global subsidiary] Kentucky Pioneer Energy, and we hope they are able to uphold their part of the contract."

The PSC said, "The agreement [between Kentucky Pioneer and EKPC] as amended required Pioneer to achieve certain milestone dates, including financial closure by June 30, 2001 and commercial operation by March 31, 2004. The Pioneer project has not been able to achieve financing, and by letter dated August 16, 2002, East Kentucky issued a notice of termination of the agreement.

"East Kentucky subsequently withdrew that notice of termination by letter dated September 13, 2002, but stated therein that a notice of termination would be reissued on January 31, 2003 if the Pioneer project had not achieved financial closure by that date," the PSC continued.

The commission also noted that EKPC filed an application in March 2001 to build the Gilbert unit because it recognized the need for additional generating capacity and the uncertainty of Kentucky Pioneer. Not long after, EKPC said that while any excess capacity from both projects would not be needed in the service area for "a substantial period of time," according to the PSC, "East Kentucky expressed confidence that such excess capacity could be sold off-system at competitive prices."

The PSC concluded, "Based on East Kentucky's decision to withdraw its notice of termination of the Pioneer project as evidenced by its September 13, 2002 letter, the Commis-

sion finds that an investigation should be initiated to determine whether East Kentucky still has a need to purchase the output of the Pioneer project, whether that project is commercially feasible, and whether cancellation of the Gilbert unit would result in the lowest cost of supply to East Kentucky's customers."

Meanwhile, the Kentucky State Board on Electric Generation and Transmission Siting has set hearing dates for Feb. 17 to decide whether to grant a siting permit to Kentucky Pioneer's project. The February hearing will take place at the Clark County Cooperative Extension Service in Winchester, and a March 6 hearing is scheduled at the PSC offices in Frankfort. The Winchester meeting, to be held at 6 p.m., is for public comment. The Frankfort meeting, to be held at 9 a.m., is limited to the parties involved in the case but may be open for additional public comment at the discretion of the siting board

For more information on the project, visit www.psc.state.ky.us/ The case number for Pioneer Energy is 2002-00312.

Coal Daily, 2/5/03

Peabody Issues Response To Thoroughbred Objections

Peabody Energy last week defended its proposed Thoroughbred coal-fired power plant project in a preliminary rebuttal of the Natural Resource Defense Council's objections to the project, filed with EPA earlier in January (CD 1/24/03).

NRDC filed a set of objections to the project with EPA Administrator Christie Todd Whitman on Jan. 24, alleging a host of environmental problems with the project that it said state permitting bodies have ignored. NRDC says Thoroughbred could violate air standards if the permit is allowed to proceed as planned, allegations the group made in earlier state filings objecting to the project (CD 10/15/

The allegations made by NRDC about the Thoroughbred project are Peabody VP-corporate false, development Roger Walcott said in a Jan. 29 letter to Whitman. The letter focuses on NRDC's allegations that the company said it would rely on coal from the Gibraltar mine to fuel Thoroughbred, rather than the six adjacent tons/year million Thoroughbred mine planned for the site (CD 2/13/01).

"[The] fundamental error is that they incorrectly assume that the Gibraltar mine would be the source of the coal for [Thoroughbred]," Walcott said in his rebuttal letter. "Contrary to NRDC's assumption, the coal for [Thoroughbred] will not ever come from the Gibraltar mine."

For its part, NRDC says it has evidence stemming from a presentation by a Peabody project engineer before a state-level permitting body that much of Thoroughbred's coal supply wouldn't come from the proposed adjacent mine. "And even if they were able to successfully dispute that allegation, that doesn't remove the fact that the company is trying to have it both ways," an NRDC lawyer told COAL Daily yesterday.

"[Peabody] is using the characteristics of an adjacent mine to prevent the use of appropriate and comprehensive emissions controls," the NRDC lawyer said. The company has refused to model the plant's emissions based on coal from the proposed mine, he added, which leaves state and EPA officials unable to determine what the plant's emissions profile will be.

Peabody officials were unable to comment before press time.

If the plant's emissions controls are constructed without taking into account the coal supply's characteristics, it is possible that harmful emissions could enter the air despite the presence of those controls, the NRDC source said. Mercury control would be a particular concern in Kentucky, he added, because the mercury levels in the state's water system are already very high.

Coal from the Thoroughbred plant might need to be washed before being burned, NRDC suggests, although washing coal is not currently part of the plant's construction plan. Peabody says washing the coal would require constructing a preparation facility away from the mine and would be

economically unfeasible.

The ball is now in EPA's court, NRDC says. The agency has 60 days to respond, and NRDC is expecting action, despite the EPA's earlier decision not to intervene in the Kentucky permitting process. Peabody expects to file a more complete rebuttal of NRDC's allegations in "the near future," the Walcott letter says.

The NRDC objection is only the latest in a number of legal hurdles the Thoroughbred project faces. A number of environmental groups have already objected to the project at the state level and the company is facing further pressure on permits it hasn't received yet. Peabody still needs approval from a local zoning board, for example, which NRDC says the company hasn't even applied for yet.

February 3, 2003

Proposed Thoroughbred plant gets heat from environmental groups

Peabody Energy's proposed Thoroughbred project, a 1,500 megawatt, coalfired power plant and new mine to be built in Muhlenburg County, Ky., has recently come under heavy fire from environmental organizations.

A petition sent by the Natural Resources Defense Council (NRDC), Sierra Club, Valley Watch, National Parks Conservation Assoc., Kentucky Environmental Foundation and the Ohio Valley Environmental Coalition to the Environmental Protection Agency's Administrator, Christie Whitman, is seeking to revoke the operating permit for the proposed power plant.

The petitioners want Whitman to rescind the permit because both the content of the permit and the proceedings that generated it fall short of requirements found in the Clean Air Act, in federal operating permit regulations and in the Commonwealth of Kentucky's state implementation plan, says the petition. The group also wants Whitman to notify the Kentucky Division of Air Quality (DAQ), which issued the permit on Oct. 11, 2002, that a final denial will be issued in ninety days unless "all defects — both substantive and procedural — are remedied."

One of the many issues that concern the petitioners is the sourcing for the coal to be used for the power plant. NRDC says it is not clear from permit documents whether the Gibraltar mine or the proposed Thoroughbred mine will feed the coal-fired plant. The group says it is unclear which mines Peabody intends to use to fuel the plant, an important question since the group says Gibraltar is a higher sulfur mine. And the group also says that the Clean Air Act mandate requiring new plants to use "best available control technology" for reducing emissions require Peabody to wash its coal before burning it, as washing cuts down on the amount of sulfur and ash that is released into the air. NRDC and the other petitioners want the air emissions tests to be recalculated and included in new permit proceedings.

In response to the petition, Roger Walcott, executive vice president of corporate development for Peabody, has sent a letter to Whitman denying all allegations in the petition. The company refutes that it misled EPA or DAQ in any way. Peabody officials also confirmed that coal for the station would come from the proposed Thoroughbred mine. The new mine will be adjacent to Gibraltar.

As for coal washing, Walcott says that the majority of the Thoroughbred site will be mined underground and that from an environmental and mine safety standpoint, the area would be unsuitable for locating the large surface impoundments needed to treat coal wash slurry. Any coal washing would have to be performed offsite, and the economic and environmental aspects of transportation and offsite coal washing under such conditions are unacceptable for the Thoroughbred project.

January 29, 2003

MUHLENBERG COUNTY

fronmental agencies challenge plant's operating per

Six groups claim state environmental officials did would come from a new mine adja- bred plant, he added. not grant adequate public access to information

By David Blackburn Messenger Inquirer

Energy did not tell the public the Six environmental groups are asking the EPA to overturn the state's operating permit for a coalfired power plant because Peabody source of coal used to run it.

cials failed to respond to public comments about the permit, as required by state law, for the Thoroughbred Generating Station near A 38-page petition filed Friday also said state environmental offi-

It also claimed the state Cabinet mental Protection did not give the public chances to learn about important information in the appilifor Natural Resources and Environ-

"Definitely both Peabody and state authorities failed to live up to

vices and U.S. Army Corps of Engi-Resources Defense Council in the promise of Kentucky laws, which is public access," attorney David McIntosh with the Natural Washington said Tuesday.

ground mine near Island. It also mine as an excuse for not implefor three to four years, while the rest would come from an undernotes that a coal-washing facility use characteristics of an adjacent The report notes that coal at the "If that's the case, Peabody can't menting basic pollution controls," Ghraitze mine would only be used aiready exists. Parks Conservation Association in mental Foundation in Berea and the based Cumberland Chapter, Valley Washington, the Kentucky Environ-Ohio Valley Environmental Coalition in Huntington, W.Va., signed The Sierra Club's Lexington-Watch in Evansville, the National

Peabody's Midwest operations, said. that is not the case McIntosh said the petition's biggest issue is the source of the coal that will fuel the proposed merchant power plant. the petition.

McIntosh said Peabody has ciaimed it decided coal washing would be logistically and financially unfeasible

The coal used to fuel the plant

The new underground mine will he built a few thousand feet to the west of the current mine and will produce about 5 million tons a year, Allen said. But he cited a report of an August 2002 meeting with Peabody, the state U.S. Fish and Wildlife Ser-

The new underground mine will be near the plant and will relay coal there by belts, he said.

"All the coal will come from adja-"That's the only planned source of coal for this plant," Allen said. cent properties to the new plant

"It's just a miscommunication," he said. Allen noted that Peabody has reserved 200 million tons of coal for the plant

Allen said Peabody decided rumoff that would be another environment issue, and burning raw against coal washing for two reasons. It creates solid and liquefied coal produces more energy while creating only ash as a waste by-

But Kenny Allen, manager of

Actintosh sato.

erative in supplying information at know, Peabody has been fully coopall stages through the process," he that, plus it's an environmental deci-"It's a business decision to do

coal a year, he said. It doesn't have

enough coal to fuel the Thorough-

which Allen believes was being first produces about 750,000 tons of

cited in the report, is a surface mine

The current Gibraltar mine.

Kentucky issued the permit only "The federal government apparafter twice answering EPA con-McIntosh accused Peabody of deliberately dragging its feet and dumping reams of paper containing

ently said everything is OK," Yours do damage to the future of Muhlenberg County, and it's a stalling nertinent information about the plant on state officials on or affer "The public did not have an leadlines during the public-comment period.

"This is an out-of-state effort to

orportunity to see, review or rebut before the public comment period closed," McIntosh said. "In the end, the state just issued the permit." Ulen disagneed,

for the community; we think it's McIntosh said the EPA has 60 days to respond to the petition. If it is denied, the groups can file an

good for our country."

Allen seid. We still think it's good

"We still helieve in the project,"

action," Youts added.

comply with every request that's "We've tried very, very hard to tors," Allen said. "... They have a been made to us by the state regularight to disagree.

incentive legislation that helped ure the plant, was critical of the Greenville Democrat who drafted State Rep. Brent Youts,

"Based on what I've seen and

David Blackburn, 338-6580

appeal with a U.S. court of appeals.

January 28, 2003



World Wide Web Edition

Gleaner (The) (Henderson, KY) - Print Circ 11,658

Date of Publication: 01/28/2003

Account Number: 3535

Headline: EPA urged to revoke Peabody permit

Source Web Page: http://www.myinky.com/ecp/news/article/0.1626,ECP_734_1703709.00.html

EPA urged to revoke Peabody permit

By MARK WILSON Courier & Press staff writer 464-7417 or mwilson@evansville.net

January 28, 2003

Six environmental organizations are asking the nation's top environmental official to revoke the permit for a proposed Western Kentucky power plant because the company allegedly misled the public about its source of coal.

At issue is Kentucky's air pollution permit for Peabody Energy's Thoroughbred Energy Campus. The permit limits the amounts of pollutants that the plant can release into the atmosphere. The alleged discrepancy is important, opponents of the plant argue, because it-potentially undermines Peabody's stated reasoning for not wanting to use more expensive low-sulfur coal or coal-washing techniques to reduce pollution.

A Peabody spokesman Monday denied the allegation in the petition and said the company has always planned to fuel the proposed power plant with an underground mine to be developed next to the generating station near Central City, Ky.

"Certainly any notion that we are intentionally misleading anybody is absolutely false," said Vic Svec, a Peabody spokesman.

The 1,500-megawatt power plant would be one of the first coal-burning power plants built in the country in years. It is designed to burn raw, high-sulfur Kentucky coal, instead of processed or washed coal that is lower in sulfur.

"If EPA agrees there are problems, the law requires them to revoke it." said attorney David McIntosh, of the Natural Resources Defense Council.

Although the issue of where the coal will come from spearheads the petition, the groups also cite numerous other issues with the permit process and the technology it requires as it relates to the Clean Air Act and other federal and state laws.

A representative of the organization hand-delivered the petition to U.S. Environmental Protection Agency Administrator Christine Whitman's office late Friday. The agency has 60 days to respond. Joining in the petition are Evansville-based Valley Watch, as well as the Sierra Club, National Parks Conservation Association, Kentucky Environmental Foundation and the Ohio Valley Environmental Coalition.

"In reaching its permitting decision, the Cabinet relied on statements that the applicant ("Peabody")



World Wide Web Edition

had made in its application materials. Both the public and EPA relied on those same statements in reviewing the draft permit.

By the time the Cabinet submitted the final permit to EPA for review n if not before n Peabody knew that a key statement that appeared repeatedly in its application materials omitted crucial facts." according to the petition.

The groups argue Peabody should have known the uncorrected information was misleading and should have told Kentucky officials. If the St. Louis-based company did update its application, according to the petition, then the state did not make it public.

"As a result, both EPA and the public were misled," the petition said.

In documents from the permit application process. Peabody repeatedly argued it would not transport lower sulfur coal to the plant or use coal washing techniques because it would get the coal from a nearby underground mine with high sulfur coal, which has no space for a coal washing operation. In a draft response to public comments on the permit, the company argued that both options would be uneconomical.

Environmentalists have objected to the plant, citing concerns about its potential impact on levels of ozone and particulate matter pollution at a time when states and utility companies are facing stricter air quality regulations. Another concern has been its possible impact on visibility (due to haze) and the environment at nearby Mammoth Cave National Park.

Peabody argues that pollution controls at the \$2 billion plant would remove up to 98 percent of the sulfur from the high-sulfur Western Kentucky coal to be burned there and more than 80 percent of the ozone-causing nitrogen oxide. The company projects up to 2.500 people would be employed during construction and that the finished power plant will create 450 coal mine and power plant jobs.

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World Wide Web Edition

Hoover's Online (Austin, TX)

Date of Publication: 01/28/2003

Account Number: 3535

Headline: PEABODY'S OPPONENTS APPEAL KY, AIR PERMIT

Source Web Page:

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January 28, 2003 3:18pm

Environmentalists are attempting to block construction of Peabody Energy's 1,500-megawatt (mw) Thoroughbred Energy Campus coal-burning power plant in Kentucky by appealing a recent decision by a state agency to award a final air permit for the almost \$2 billion project.

Two groups -- the Sierra Club and Valley Watch -- are asking the Kentucky Office of Administrative Hearings, part of the Kentucky Natural Resources and Environmental Protection Cabinet, to send the permit back to the Kentucky Division for Air Quality for further revisions.

As of mid-December, no decision had been reached on the appeal.

St. Louis-based Peabody, the nation's leading coal producer, insists Thoroughbred Energy Campus will be the cleanest coal plant of its type East of the Mississippi River. The plant would include two 750-mw generating units fueled by up to 6 million tons of high-sulfur coal to be produced annually by an adjacent underground mine.

Peabody plans to use pulverized coal technology, which environmentalists argue is not as efficient in removing air-borne pollutants as some newer processes. Opponents also want Peabody to wash the coal to reduce sulfur before burning it. Peabody contends washing the coal would create other environmental problems.

Foes also are concerned that the plant might cause visibility problems for Mammoth Cave National Park. located about 50 miles east of the proposed plant.

Peabody still is searching for a joint venture partner for the project, whose in-service schedule has slipped to the 2007-2008 timeframe, up to two years later than originally planned.

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World Wide Web Edition

St. Louis (MO) Business Journal - Print Circ 19,500

Date of Publication: 01/28/2003

Account Number: 3535

Headline: Group asks EPA to overturn Peabody mine application

Source Web Page: http://stlouis.bizjournals.com/stlouis/stories/2003/01/27/daily31.html

A group of environmental watchdog organizations have filed a petition with the U.S. Environmental Protection Agency asking it to overturn a recent decision allowing Peabody Energy Corp. to build a \$2 billion coal-fired power plant in Kentucky.

The group, led by the National Resources Defense Council, said in the petition that Peabody violated the Clean Air Act, the federal regulations that implement the act and the Commonwealth of Kentucky's state implementation plan by failing to disclose complete information about the source of coal.

The NRDC also said pollution emanating from Thoroughbred would also affect plants, animals and visibility at Mammoth Cave National Part and would impact the natural environment in which Americans live.

Peabody's Thoroughbred plant, a proposed 1.500 megawatt coal-based power plant near Central City, Ky., would create about 450 permanent jobs and up to 2,500 jobs during peak construction, the company said, creating \$1.95 billion in new job-related benefits and wages. Kentucky issued an air permit for the project last October.

Thoroughbred would begin generating power between 2005 and 2007 and will provide enough electricity for 1.5 million families. It is designed to be the lowest-emitting 1,500 megawatt pulverized coal plant east of the Mississippi River.

A spokesman for Peabody was not immediately available for comment.

- St. Louis-based Peabody Energy (NYSE: BTU) is one of the world's largest coal producers.
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World Wide Web Edition

Evansville (IN) Courier & Press - Print Circ 74,000

Date of Publication: 01/28/2003

Account Number: 3535

Headline: EPA urged to revoke Peabody permit

Source Web Page: http://www.myinky.com/ecp/news/article/0,1626,ECP_734_1703709,00.html

EPA urged to revoke Peabody permit

By MARK WILSON Courier & Press staff writer 464-7417 or mwilson@evansville.net

January 28, 2003

Six environmental organizations are asking the nation's top environmental official to revoke the permit for a proposed Western Kentucky power plant because the company allegedly misled the public about its source of coal.

At issue is Kentucky's air pollution permit for Peabody Energy's Thoroughbred Energy Campys. The permit limits the amounts of pollutants that the plant can release into the atmosphere. The alleged discrepancy is important, opponents of the plant argue because it potentially undermines Peabody's stated reasoning for not wanting to use more expensive low-sulfur coal or coal-washing techniques to reduce pollution.

A Peabody spokesman Monday denied the allegation in the petition and said the company has always planned to fuel the proposed power plant with an underground mine to be developed next to the generating station near Central City, Ky.

"Certainly any notion that we are intentionally misleading anybody is absolutely false," said Vic Svec, a Peabody spokesman.

The 1,500-megawatt power plant would be one of the first coal-burning power plants built in the country in years. It is designed to burn raw, high-sulfur Kentucky coal, instead of processed or washed coal that is lower in sulfur.

"If EPA agrees there are problems, the law requires them to revoke it," said attorney David McIntosh, of the Natural Resources Defense Council.

Although the issue of where the coal will come from spearheads the petition, the groups also cite numerous other issues with the permit process and the technology it requires as it relates to the Clean Air Act and other federal and state laws.

A representative of the organization hand-delivered the petition to U.S. Environmental Protection Agency Administrator Christine Whitman's office late Friday. The agency has 60 days to respond. Joining in the petition are Evansville-based Valley Watch, as well as the Sierra Club, National Parks Conservation Association, Kentucky Environmental Foundation and the Ohio Valley Environmental Coalition.

"In reaching its permitting decision, the Cabinet relied on statements that the applicant ("Peabody")



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The groups argue Peabody should have known the uncorrected information was misleading and should have told Kentucky officials. If the St. Louis-based company did update its application, according to the petition, then the state did not make it public.

"As a result, both EPA and the public were misled," the petition said.

In documents from the permit application process, Peabody repeatedly argued it would not transport lower sulfur coal to the plant or use coal washing techniques because it would get the coal from a nearby underground mine with high sulfur coal, which has no space for a coal washing operation. In a draft response to public comments on the permit, the company argued that both options would be uneconomical.

Environmentalists have objected to the plant, citing concerns about its potential impact on levels of ozone and particulate matter pollution at a time when states and utility companies are facing stricter air quality regulations. Another concern has been its possible impact on visibility (due to haze) and the environment at nearby Mammoth Cave National Park.

Peabody argues that pollution controls at the \$2 billion plant would remove up to 98 percent of the sulfur from the high-sulfur Western Kentucky coal to be burned there and more than 80 percent of the ozone-causing nitrogen oxide. The company projects up to 2,500 people would be employed during construction and that the finished power plant will create 450 coal mine and power plant jobs.

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Group asks EPA to overturn Peabody mine application - 2003-01-28 - St. Louis Business Jo Page 1 of 1

St. Louis Business Journal - January 28, 2003 http://stlouis.bizjournals.com/stlouis/stories/2003/01/27/daily31.html

ST. LOUIS **BUSINESS** JOURNAL

15:42 EST Tuesday

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Group asks EPA to overturn Peabody mine application

A group of environmental watchdog organizations have filed a petition with the U.S. Environmental Protection Agency asking it to overturn a recent decision allowing Peabody Energy Corp. to build a \$2 billion coal-fired power plant in Kentucky.

The group, led by the National Resources Defense Council, said in the petition that Peabody violated the Clean Air Act, the federal regulations that implement the act and the Commonwealth of Kentucky's state implementation plan by failing to disclose complete information about the source of coal.

The NRDC also said pollution emanating from Thoroughbred would also affect plants, animals and visibility at Mammoth Cave National Park, and would impact the natural environment in which Americans live.

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Thoroughbred would begin generating power between 2005 and 2007 and will provide enough electricity for 1.5 million families. It is designed to be the lowest-emitting 1,500 megawatt pulverized coal plant east of the Mississippi River.

A spokesman for Peabody was not immediately available for comment.

St. Louis-based Peabody Energy (NYSE: BTU) is one of the world's largest coal producers.

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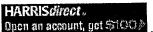
January 27, 2003

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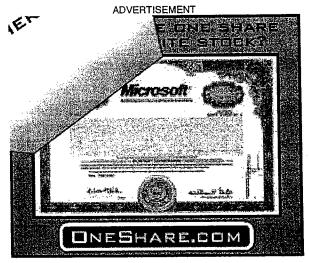


Dow Jones Business News

Watchdogs Ask EPA To Overturn Peabody Coal Pwr Plant OK

Monday January 27, 6:33 pm ET

CHICAGO (Dow Jones)--Environmental watchdog groups led by the Natural Resources Defense Council have asked the U.S. Environmental Protection Agency to overturn a recent Kentucky decision that paves the way for a \$2 billion coal-fired power plant planned by Peabody Energy Corp. (NYSE:BTU - News) .

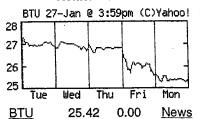


In a Friday petition to the EPA, the NRDC said Peabody didn't provide regulators complete information about the source of coal for the planned 1,500megawatt "Thoroughbred" generator. The group also said the Division of Air Quality within the Kentucky Natural Resources and Environmental Protection Cabinet didn't do all the work necessary before issuing an air permit for the plant late last year.

The NRDC said Peabody's alleged failure to provide information violates the Clean Air Act and other regulations, and requires the EPA to act.

"The violations trigger the administrator's obligation to object to the permit," the

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NRDC said in the petition.

St. Louis-based Peabody plans to build the plant by 2007 or 2008 near company- owned mining space in Muhlenberg County, Ky. The NRDC alleged, citing past Peabody statements, that the company plans to only use coal from that mine for a few years after the plant starts operations. If the future long-term source of coal for the plant is unknown, alleged past Peabody statements about the lack of space for coal-washing - where coal is sprayed with water to reduce sulfur dioxide - are rendered moot, said David McIntosh, an NRDC attorney.

"Peabody can't have it both ways," he said.

Peabody spokesman Vic Svec called such allegations "absolutely false."

He said the company plans to start a new mine near the plant that will have more than 100 million tons of coal - enough to fuel the plant for at least 20 years. He said the company has also selected technology for the plant that will remove 98% of the coal's sulfur dioxide, more than coal washing would eliminate.

"It would be nice if their objections were grounded in fact," Svec said.

Watchdogs Ask EPA To Overturn Peabody Coal Pwr Plant OK

The NRDC also objected to the Kentucky Division of Air Quality's decision to approve the plant, saying it was made without allowing adequate time for other parties to comment on Peabody's plans, among other issues.

Mark York, spokesman for the division, defended the agency's decision.

"Obviously we feel the permit was issued within the (state's) guidelines," York said.

The EPA is expected to respond to the NRDC petition within 60 days, McIntosh said.

-By Jon Kamp, Dow Jones Newswires; 312-750-4129; jon.kamp@dowjones.com

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Activists Ask EPA To Overturn Clean Air Permit

The Natural Resources Defense Council (NRDC) is expected this week to ask EPA to revoke a Clean Air Act permit recently granted to Peabody Energy for the construction of a new coal-fired power plant.

NRDC's petition to the agency marks the latest chapter in a two-year long battle over the construction of Peabody's Kentucky-based Thoroughbred coal-fired plant that environmentalists contend lacks adequate pollution controls and will greatly increase harmful air emissions.

NRDC will ask EPA to reject both the pre-construction and operating permits granted to the Thoroughbred Generating Station, which will have a capacity of 1500 megawatts, require more stringent emissions controls and request additional analyses to determine whether the power plant poses a threat to local air quality.

Although EPA has already informally signed off on the Peabody permit when it did not reject the permit within a 45-day review period last November, NRDC sources said they now have additional information that warrants a second look by the agency.

NRDC says it believes Peabody intentionally withheld information from its permit application, giving state officials the impression that it was installing adequate pollution controls.

The petition to revoke the Peabody permit will be filed with the agency on Friday. EPA will then have 60 days to respond to NRDC's petition. If the agency decides against the environmental group, it is likely NRDC will file a formal challenge with a federal appeals court.

Peabody was not available for comment at press time.

NRDC and several other environmental and public health groups voiced initial opposition to the new power plant in February 2001, when Peabody submitted its first set of permit applications to the Kentucky Resources and Environmental Protection Cabinet.

The National Parks Service has also presented concern about the power plant and its impact to air quality at the Mammoth Cave National Park, which is nearby the construction site and is already the third most polluted national park in the United States.

The National Parks Service filed an adverse impact determination in 2001, but then withdrew the determination after it secured a commitment from the state to tinker with Peabody's permit to allow for more stringent SO₂ controls in the future.

Despite vocal opposition from environmental groups, Kentucky granted Peabody its permit in 2002. The state then submitted the permit to EPA for review, pursuant to requirements of the Clean Air Act, and the agency failed to act on the review late last year, thereby giving final approval to the permit.

The petition NRDC will file with EPA this week asks the agency to act on authorities granted it in the federal clean air statute that allow EPA officials to revoke state-granted permits.

NRDC says it has evidence that state officials, when conducting a review of air quality impacts, did not consider the existing emissions of the Tennessee Valley Authority's Paradise Plant nearby.

NRDC also has a challenge of the power plant pending at an administrative review panel in Kentucky. The panel is expected to hold a hearing on the case next summer.

January 7, 2003

LEXINGTON HERALD-LEADER

LEXINGTON, KY
TUESDAY 130,000
JAN 7 2003

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Clean-coal plant will be good for Ky., environment

When the National Park Service withdrew its concerns about <u>Peabody</u> Energy's proposed Thoroughbred Generating Station earlier this fall, the decision followed a review of sound science.

Initial concerns about the plant's potential effects on visibility at Mammoth Cave were based on flawed meteorological data that was corrected in an expanded analysis. In fact, additional modeling was conducted at the Park Service's request, and the new analysis showed that there were no days in nearly 1,100 modeled where the plant's emissions would have a significant impact on visibility at Mammoth Cave. This key scientific finding laid the foundation for the Park Service's decision.

Thoroughbred will be among the cleanest coal-fueled plants east of the Mississippi, and we believe the plant's emission controls will help establish best available control technology for pulverized coal plants.

Thoroughbred will also provide tremendous benefits to Kentucky and the region by providing low-cost, low-emissions electricity for 1.5 million families — 450 permanent jobs and nearly \$100 million for Kentucky's economy each year.

The development of Thoroughbred has been a public process, and Peabody has met with dozens of groups, individuals and state and federal government agencies to communicate project plans. We look forward to continuing this dialogue to advance a project that represents improved environmental performance, a stronger economy, greater national energy security and jobs and low-cost energy for Kentuckians.

Vic Svec

Vice president, Public and Investor Relations Peabody Energy St. Louis

January, 2002

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Environmental agencies asked to join Peabody

permit process

By MARK WILSON, Courier & Press staff

EVANSVILLE -- State Rep. Dennis Avery is asking the Indiana Department of Environmental Management to become involved in the permitting process for Peabody Energy's proposed

Thoroughbred Generating Station in Muhlenberg County, Ky.

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The Evansville representative wants IDEM to ask the U.S. Environmental Protection Agency to become involved. A similar petition from several Northeastern states against Indiana and other Midwestern states resulted in federally mandated reductions in nitrogen oxide pollution in those states.

"Avery has supported improving Hoosier health during his whole time in office," said John Blair, president of Valley Watch, in a statement supporting Avery's request to IDEM.

Avery is a board member of the Evansville-based environmental group.

If permitted and built, said Blair, the 1,500-megawatt Thoroughbred generating station will be the largest conventional coal-burning power plant built in the United States in 20 years.

Joanne Alexandrovich, ozone officer for the Vanderburgh County Health Department, has said that the Peabody and other proposed plants, such as Cash Creek Generating Station in Henderson County, Ky., will undo Indiana's attempts to improve local air quality.

Avery cited Alexandrovich's comment as support in his letter to IDEM Commissioner Lori Kaplan. He also cited the Newburgh Town Council's resolution that these plants not be permitted until existing power plants can make proven pollution reductions.

"I believe the reasons for this request are obvious. The Southern and Southwestern Indiana areas have worked for years to improve air quality and achieve attainment status for ozone (pollution levels)," Avery wrote. "Currently, our state's major sources of nitrogen oxides are being required to undertake massive ratepayer investment to help clean our air of nitrogen oxides and thus reduce the level of ozone emissions."

JAN.31.2002 10:24AM MyInKy: Local News

Avery also wrote that none of the proposed power plants in Kentucky is intended to supply power to Indiana or Kentucky residents.

Paul Dubenetzky, IDEM's chief of air permits, said Avery is not the first legislator to ask the state to become involved. Late last year, state Rep. Jonathan Weinzapfel, also of Evansville, asked IDEM to review the projects in Kentucky. Weinzapfel is chairman of the House Environment Committee.

"We are on record as saying we are going to review the permit and we are doing that now," Dubenetzky said. "We are looking at this real thoroughly."

Dubenetzky said IDEM is especially looking at Peabody plant's proposed best available pollution controls, the enforceability of its emissions limitations, and its impact on air quality.

He said IDEM probably will file written comments on the proposed permit by the Feb. 8 deadline set by Kentucky's Division for Air Quality.

"We are concerned about the air quality impact of any source on Indiana, whether we permit it or it is permitted by another state," Dubenetzky said.

He said it is premature to ask the EPA to step in and require Kentucky to do something to reduce emissions. Such a step would be a last resort, he said.

January 31, 2002

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Blair blasts officials for power plant air permit

By MARK WILSON Courier & Press staff writer 464-7417 or mwilson@evansville.net

Evansville environmentalist John Blair is charging Kentucky officials with succumbing to political pressure and rushing through the draft air pollution permit for Peabody's proposed power plant in Muhlenberg County. The Kentucky Division for Air Quality issued a draft permit for the 1,500 megawatt conventional coal-fired power plant in December.

"They issued this permit prematurely, before issues of downwind impacts had been sufficiently studied and completed," according to Blair, president of Valley Watch. Kentucky environmental officials especially failed people who would live down wind of the proposed power plant, Blair said, by failing to study the levels of ozone formation that may result from the plant's emissions.

"People all the way from Evansville to Louisville are going to suffer the ill effects because of this plant," he said.

He also said Kentucky failed to seriously address questions from the National Parks Service concerning its impact on the air at Mammoth Cave National Park. Peabody has said it will adhere to stricter controls on sulfuric acid as a result of Park Service's concerns.

But the biggest concerns, Blair noted, are the health and economic effects the plant's nitrogen oxide and particulate matter pollution will have on areas downwind, particularily those east of Evansville.

"It is also important to understand that Hoosiers are being forced to pay billions of dollars to clean up nitrogen oxide emissions from existing po

wer plants - only to have Peabody come in and add to the mix so they can sell their electricity to areas far removed from this region," Blair said.

At a news conference Tuesday, Blair distributed copies of a Jan. 16 newspaper article from the Central City Times Argus in which Kentucky Rep. Brent Yonts brags about how the permit was "put on a fast track due to cooperation and support" from Peabody Energy and various other state leaders.

Among other things, the Kentucky Division for Air Quality exempted Peabody from providing the required one year of pre-construction air quality monitoring.

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Activist says Peabody plant permit was rushed

By By MARK WILSON Courier & Press staff

EVANSVILLE -- Environmentalist John Blair is charging Kentucky officials with succumbing to political pressure and rushing through the draft air pollution permit for Peabody's proposed power plant in Muhlenberg County.

The Kentucky Division for Air Quality issued a draft permit for the 1500 megawatt conventional coal fired power plant in December.

""They issued this permit prematurely, before issues of downwind impacts had been sufficiently studied and completed," according to Blair, president of Valley Watch.

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At a press conference Tuesday, Blair distributed copies of a Jan. 16 newspaper article from the Central City Times Argus in which Kentucky Rep. Brent Yonts brags about how the permit was "put on a fast track due to cooperation and support" from Peabody Energy and various other state leaders.

"I am very pleased that my request for a more expeditious permit approval process has been granted, and I will continue to work with the governor, Sen. (Dick) Adams, and others to move this important project along," Yonts said, in the Times Argus article.

Among other things, the Kentucky Division for Air Quality exempted Peabody from providing the required one year of pre-construction air quality monitoring.

A public hearing on the draft permit will be held at 6:30 p.m. (CST), Feb. 12, at the Muhlenberg County Career Advancement Center in Central City.



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Public health advocacy group opposes Thoroughbred permit

23 January 2002

By David Blackburn Messenger-Inquirer

An Evansville public health advocate said Tuesday he opposes a coal-fired power plant in Central City because politics instead of scientific studies led Kentucky officials to tentatively approve the project's air permit.

John Blair, president of the Valley Watch Inc., is asking the state to revoke its draft air quality permit for the Thoroughbred Energy Campus planned by Peabody Energy until more analysis can be done.

The ultimate goal, he said, is to stop the project.

"I don't think this is the best-available controlled technology (BACT)," which is required by the 1990 Clean Air Act, Blair said in a telephone interview Tuesday following an afternoon news conference at Valley Watch offices.

Blair claims Peabody's air permit application included no analysis on newer technology with cleaner ways to burn coal.

"They decided to stick with 19th-century technology. That was one of the sticking points we had with the permit," Blair said. He also said the permit application had little or no information about projected effects of emissions on communities downwind of the proposed plant.

Peabody officials have said the technology to be used in the 1,500-megawattcapacity merchant power plant will be state-of-the-art with the capability of removing nearly all particulate matter.

Blair specifically criticized state Rep. Brent Yonts, D-Greenville, for helping speed up the permit approval, which was issued Jan. 3 by the state Division for Air Quality in the Cabinet for Natural Resources and Environmental Protection.

Blair cited a newspaper story that quoted a Yonts press release announcing the tentative approval in which Yonts said he was "very pleased my request for a more



Get Healthy!

expeditious perimi approvai process has been granted.

Yonts, who is in Frankfort with the General Assembly, said during a phone interview that "political influence had nothing to do with this decision."

"My pressure was to make a decision as quickly as they possibly could," Yonts said, referring to the Division for Air Quality.

A public hearing is scheduled for Feb. 12 at the Career Advancement Center of Muhlenberg County to hear public comments about the draft permit.

Blair said he filed a complaint saying there was no pre-construction monitoring for ozone or particulate matter on the day that the draft permit was approved.

"I plan on filing extensive comments about that before the public comment deadline is over," Blair said.

Back to top

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Coal Daily, 1/24/02

As Peabody Energy gears up for a public hearing on its plans to build a 1,500-MW merchant power plant in western Kentucky, environmental activists in neighboring Indiana are mobilizing opposition. The most vocal so far is John Blair, president of Evansville Valley Watch, which promotes itself as a public health advocacy group. Blair issued a press release earlier this week criticizing the Kentucky Division for Air Quality for its decision earlier this month to grant Peabody a draft air quality permit for its Thoroughbred Energy Campus in Muhlenburg County, Ky. (CD 1/7/02). A public hearing on the air quality permit is scheduled for Feb. 12 in Central City, Ky.

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January 21, 2002

News Conference Announced for 1/22/02

Valley Watch, the area's leading environmental health advocate, will hold a News Conference tomorrow, Tuesday, January 22 at 2:30 PM at the Valley Watch office located at 800 Adams Ave. in near Downtown Evansville. The purpose of the News Conference will be to accuse the Kentucky Natural Resources and Environmental Protection Cabinet's Division of Air Quality of making decisions concerning the proposed Thoroughbred Generating Station using political criteria instead of science.

Late last month, the KY Division of Air Quality issued a "Draft" permit which has been characterized in the media as a "pre-approved" permit for the 1500 Megawatt conventional coal fired power plant in Muhlenberg County, Kentucky.

"They issued this permit prematurely, before issues of downwind impacts had been sufficiently studied and completed," according to Valley Watch president, John Blair. "The DAQ has failed its responsibility to people down wind to ascertain the levels of ozone formation and also failed to answer serious questions from the National Parks Service concerning the impact of the plant on the Class 1 air at Mammoth Cave National Park."

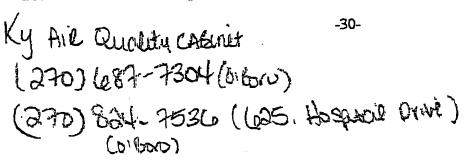
Reports in the local (Muhlenberg County) media indicate that politics played a huge role in getting the permit expedited through the Division of Air Quality.

"Valley Watch is expected to play by the rules in everything we do. Apparently, Peabody Coal Company (now called Peabody Energy) does not have to follow the rules in Kentucky and instead has the political connections to gain favor from the Environmental Cabinet," charges Blair.

"This plant will emit huge quantities of both VOCs and Nitrogen Oxides but Peabody has failed to predict the downwind impacts on ozone levels which will result from the operation of the largest new coal facility to be proposed for more than two decades anywhere in the United States." VOC and nitrogen oxides join in the presence of sunlight to form ozone, a poison regulated under the Clean Air Act. Several areas downwind, including both the Evansville area and the Louisville area have been in non-attainment of the current standard for zone in the past and are now faced with sanctions if levels rise above the standard again.

"It is also important to understand that Hoosiers are being forced to pay billions of dollars to clean up Nitrogen Oxide emissions from existing power plants only to have Peabody come in and add to the mix so they can sell their electricity to areas far removed from this region. Essentially, we are subsidizing Peabody both with our pocketbooks and our health so they can profit enormously from the operation of a 19th Century style power plant," asserts Blair.

Blair will be available for questions concerning the Peabody proposal at the News Conference



January 15, 2002

Powerful questions

Siting bill will let legislature debate electric plants' impact

A pair of recent reports to Gov. Paul Patton concluded that Kentucky's anticipated boom in merchant power generation would be manageable.

But would it be desirable? Would the benefits of producing electricity for sale in other states outweigh the costs?

These questions, vital to Kentucky's future, have yet to be answered or even adequately debated. Patton is giving lawmakers a solid place to launch that discussion with legislation he outlined last week.

We can't comment on specifics because the administration's power-plant siting bill is not in final form. But the approach Patton described at a news conference Friday is promising.

Especially encouraging is Patton's inclusion of an additional 16 proposals in the current ban on power plant construction. The governor also wisely extended the moratorium, imposed last summer, through July 15.

This way, plants that have applied for permits but not yet started construction would have to comply with whatever siting requirements are enacted by the 2002 General Assembly. (Patton said it's too late to apply new laws to eight plants that already are under construction or operating.)

Republican Rep. John Draud of Crescent Hills has agreed to sponsor the siting measure, which raises hope that this critical issue won't break purely on party lines.

This debate should engage lawmakers of both parties, including those whose districts don't have power plant proposals or coal mines, because the implications are critical for the entire state. The potential for unintended consequences also is huge. And Kentucky's lack of regulation is one of the main attractions for the power merchants.

The administration admits there are unanswered questions about the long-term and cumulative environmental effects, including exactly how many power plants Kentucky can reasonably accommodate. State environmental regulators also say they need more resources just to regulate and monitor the 24 power plants already proposed.

While the new technologies create less air pollution than earlier electricity generation, they also produce considerably more and nastier solid waste. Many of the new technologies also consume huge amounts of water. The pollution and water demands have obvious implications for places downstream or downwind of new power plants.

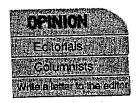
Patton wants to be sure Kentuckians don't get stuck paying to expand the state's transmission system to serve customers outside Kentucky. But federal policy could trump state policy once the plants are built. And the Bush administration, intent on increasing energy supplies through deregulation, would seem more inclined to make Kentuckians pay for transmission upgrades once the new plants are here.

Kentucky now has the nation's cheapest electricity and plenty of it. That is an unquestionable advantage for the state while the advantages of merchant power generation -- for anyone other than the coal industry -- largely remain a question mark.

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Mike Ivey: Who's in charge of power here anyway?

January 15, 2002



While critics contend Wisconsin's once-respected Public Service Commission has become little more than a yes man for the big power companies, regulators in other states are taking a much tougher stance these days.



Mike Ivey

E-mail Mike Ivey

Recent columns and bio



The governors of Tennessee and Kentucky are working hard to prevent their states from becoming defacto energy farms, producing and exporting electricity into more lucrative markets.

The two states are being deluged with requests from corporations like San Jose, Calif.-based Calpine Corp. and St. Louis-based Peabody Energy to build new power plants in farm fields and near small towns, where the economy is bad and the local opposition weak.

The power plant companies freely admit the electricity isn't for the good people of Kentucky or Tennessee. Rather, it would be sold to the highest bidder throughout the Southeast and Midwest.

But in Tennessee, Gov. Don Sundquist, a Republican, this week is proposing applying a "cost-benefit" analysis to new plant applications to determine if the potential problems - traffic, noise, pollution, etc. - are worth the promise of new jobs and more tax revenue.

In Kentucky, Gov. Paul Patton, a Democrat, is seeking an extension of a moratorium on power plant construction while the state legislature can come up with new - and tougher - siting rules.

"We're adopting a cautious approach because we want to know exactly the impact going forward," Annette DuPont-Ewing, executive director of the Kentucky Energy Policy Board, told the Wall Street Journal recently.

Compare that to Wisconsin, where the three-member PSC, holdovers from the Thompson administration, will rubber stamp anything from new generating

voltage transmission lines through the northern forests.

Much of this rush to upgrade Wisconsin's electric system was prompted by warnings from the state business community and its political supporters of a pending "energy shortage" and "rolling blackouts" across the state. Behind the scenes, of course, many saw the state as a potential beachhead for exporting power to Chicago and points east.

Ironically, the new Wisconsin power plant that generated the most controversy in these parts - the Calpine-owned RockGen facility in eastern Dane County - now sits largely idle. Neighbors living near the facility report the natural gas-powered generators at RockGen haven't fired for 100 days and the security lighting around the facility has been reduced in an effort to lower the plant's operating overhead.

While the RockGen plant was intended as a "peaking unit" for periods of high electricity demand, one observer noted there aren't many "peaks" when the state economy is tanked and manufacturers are laying off workers rather than cranking up production.

Indeed. A combination of the slumping economy and the Enron debacle has cooled the frenzy for energy "re-regulation" or more power plants and transmission lines in Wisconsin.

Still, it's worth following the progress of utility regulation outside the state for the interesting legal questions if nothing else.

For example, should utility customers in a home state pay for upgrades to their transmission system to facilitate the passing of power through to another state? Or can states bar new plant construction solely on the grounds that most of the electricity will be shipped out?

Wisconsin has already turned into a dumping ground for garbage from Illinois. What a shame to see it absorb the exhaust stacks, gas pipelines and transmission towers of an energy exporting state as well. Mike Ivey is a business reporter at The Capital Times. He can be reached at 252-6431 or at mivey@madison.com

Published: 9:41 AM 1/15/02



January 14, 2002

Coal Outlook, 1/14/02

Thoroughbred advances

Peabody Energy said Jan. 4 that it has received Kentucky's pre-approval for an air-quality permit covering the proposed Thoroughbred Energy mine-mouth generating project in Muhlenberg County.

The project would consist of a 6 millionton/yr underground mine that would supply a 1,500-MW generating station sited on 4,500 acres controlled by Peabody.

The draft permit sets out terms and conditions whereby Peabody would be allowed to build and operate the nearly \$2 billion merchant power plant. Following a 30-day public comment period, the Kentucky Divis. of Air Quality will decide whether to issue a final air permit.

Peabody spokesman Vic Svec said the company hopes to get the final permit by early spring.

"The generating station is being designed to be the cleanest major coal-based power plant east of the Mississippi River," Peabody said in a statement.

"Peabody is engaged in discussions with several prospective partners regarding the scope and structure of the project," the company said. "Peabody intends to manage project permitting and mine operations, and is seeking a partner that would manage generating plant operations and power marketing." Peabody had entered into an agreement with a prospective partner—believed to be Mirant—last year, but that ultimately fell through (CO 11/19/01).

Coal Trader, 1/14/02

Patton modifies Kentucky power plant moratorium

entucky agencies are barred until July 16 from issuing permits on new power plant applications. But they are free to process requests already on file, including Peabody Energy's proposed 1,500-MW Thoroughbred Energy Campus in Muhlenberg County, under a moratorium announced Friday by Gov. Paul Patton

(CO 12/24/01).

The two-term Democrat governor and former coal operator effectively lifted a state freeze in place since June 20, 2001, on new permit applications and replaced it with a prohibition on issuing permits for new power projects.

"The Cabinet can accept but not issue new permits" Mark York, spokesman for the Kentucky Natural Resources and Environmental Protection Cabinet, said. Nothing in the moratorium prevents state agencies from issuing final permits on applica-

tions submitted prior to June 20, he said.

Of potentially more impact to coal projects like Peabody Energy's is legislation Patton plans to sponsor that apparently would make Kentucky less attractive to merchant power developers. The Peabody project, along with a 1,000-MW coal plant proposed by Cash Creek Generation in Henderson County, and three EnviroPower LLC waste coal/run-ofmine coal plants proposed for the state. All of them would sell power on the wholesale market.

Patton's proposal, to be sponsored by Republican State Rep. John Draud, includes a provision that would require priority treatment of electricity generated and transmitted for in-state use. If it becomes law, a utility would have to curtail or terminate service to out-of-state customers before curtailing or terminating service to Kentucky customers.

"You question whether that's a restriction on interstate commerce," said Bill Caylor, president of the Kentucky Coal Association, who suggested the provision might be "unconstitutional."

Under Patton's proposal, a merchant power plant would be required to get state **Public Service Commission** approval before it could connect to the transmission grid. Also, utilities would need PSC approval before they could sell or transfer major assets in Kentucky.

Megawatt Daily, 1/14/02

Kentucky governor extends power plant moratorium to July 16

Kentucky Gov. Paul Patton said Friday he has extended a moratorium on power plant permits until July 16 and soon will submit to the General Assembly a comprehensive electricity package that could make the state less attractive to merchant plant developers.

Patton's extended permit freeze, in effect since June 20, 2001, will give state officials more time to deal with difficult transmission, siting and environmental issues surrounding the 22 power generation projects proposed since 1999.

Patton said Republican state Rep. John Draud would sponsor the governor's legislative package that will call for creation of a power siting board under the direction of the Public Service Commission. Patton's proposal also will include a provision that would require priority treatment of electricity generated and

Published Saturday, January 12, 2002, in the Lexington Herald-Leader

STATE BANS ON POWER PLANT EXTENDED Governor seeks tight regulations

By John Stamper

HERALD-LEADER BUSINESS WRITER

FRANKFORT -- New power plants proposed in Kentucky will remain on hold for another six months as legislators consider a bill that would prohibit them from locating within 2,000 feet of a neighborhood.

Gov. Paul Patton placed a new ban on power plant construction yesterday that lasts through July 15. The new ban blocks 16 of the 24 plants proposed in Kentucky since October 1999, including all of the coal-fired plants.

The governor lifted his previous ban on new applications for air, water and waste permits. However, he said the Natural Resources and Environmental Protection Cabinet can only review those applications, and cannot issue permits based on them.

Patton's original moratorium was set to expire yesterday.

Patton also proposed a package of policies to tightly control the problems new plants might produce for the state's environment and pocketbook.

Besides blocking new plants from locating within 2,000 feet of residential areas and 500 feet from homes, Patton's proposal aims to give electricity intended for Kentucky customers priority during a power-grid overload.

Most of the proposed electricity generators are merchant power plants, which are built primarily to sell their electricity out of state on the wholesale market. Merchant plants want to locate in Kentucky because it has a lot of fuel -- both coal and natural gas -- and many electricity-transmission lines that can export power north or south.

Under Patton's proposal, power from merchant plants would be curtailed when transmission lines are overburdened, said Annette Dupont-Ewing, director of the Governor's Energy Policy Advisory Board.

"Kentucky rate-payers are going to be protected first, and Kentucky will never be browned out for wholesale transactions going out of state," she said.

Enforcing that law might be difficult, since Kentucky's transmission system is intertwined with a power grid that stretches from Florida to North Dakota.

"Because the grids are so interconnected, I don't know exactly how you would do that," said Brandon Maxwell, a spokesman for Duke Energy North America.

Duke owns one natural gas plant in Kentucky that is under construction; has an air permit for another; and would like to submit an application for a third, in Trimble County.

Maxwell said none of Patton's proposals would automatically stop Duke from proceeding, but the company would view each as `just another issue that we have to consider when deciding whether we can get it built or not."

The new regulations would be enforced by a seven-member electricity generation and transmission siting board, which would have the power to block any plant it deems not in the best interest of the state.

The siting board would consider a power plant's impact on the environment, economy and transmission grid when making its decision.

"We expect this board to look at the overall best interest of Kentucky," Patton said.

The board would also consider the feasibility of building new plants at sites where electricity generators are already located.

All new power plants not already under construction, including those covered by the moratorium and future plants built by the state's regulated utilities, would be subject to the new siting legislation.

Eight of the 24 power plants proposed since October 1999 are already under construction or in operation. All eight are natural gas-fired plants, which are cleaner than coal-fired plants but employ virtually no one.

LG&E Energy, which has lobbied hard for a power plant siting board, is willing to have its own new power plants reviewed by the board, said George Siemens, the company's vice president of external affairs.

The location of new high-voltage electricity transmission lines would also fall under the siting board's purview.

The board would select routes that minimize the impact on scenic and environmentally sensitive areas. Transmission lines that serve coal-fired power plants would have priority.

The board would be made up of the state's three Public Service Commissioners; the secretaries of the Natural Resources and Environmental Protection Cabinet and the Economic Development Cabinet; and two members who would change according to the proposed location.

The two local members would be a resident of the county where the plant is proposed and either the head of the planning commission or the judge-executive of that county. Patton would appoint both.

The Democratic governor's legislative package will be introduced next week in the House of Representatives by a Republican, Rep. Jon Draud of Crestview Hills.

Draud, who has been fighting a proposed plant near a residential neighborhood in Erlanger for several months, said he thinks the initiative will remain a bipartisan effort.

"This is a serious problem for all the people in the state of Kentucky," Draud said.

He got hot about merchant plants earlier this year when Cinergy Corp. proposed a natural gas-fired plant within 600 feet of a nursing home and 800 feet of a neighborhood.

Cinergy has no problem with a siting board as long as it ``doesn't preclude constructing power plants that are needed for base-load power for native Kentuckians," said spokesman Dave Woodburn.

Even without the moratorium, he said, the Erlanger project is on hold for economic reasons. `The price of power is down," he said.

Most of Patton's policies came from recommendations made in December by his Energy Policy Advisory Board, which reviewed studies that outlined the impact 24 new plants would have on the state's environment and power grid.

The environmental study set out 14 recommendations designed to minimize the impact of the new plants.

Many of those were not addressed yesterday, but Natural Resources Secretary James Bickford promised progress.

"It's our job to get that cracking, and we will," Bickford said.

The study recommended developing air-toxicity standards and doing another study to determine the number of power plants that Kentucky's environment can handle.

January 9, 2002

New Power Plants Under Fire

Tennessee, Kentucky Move To Make It Tougher To Build in Their Borders

By Andrew Caffrey Staff Reporter of THE WALL STREET JOURNAL

ENTUCKY AND Tennessee, seen by power companies as key beachheads for exporting electricity throughout the Southeast and Midwest, are moving to make it more difficult to build power plants in their states.

In recent months, both states have been deluged with building requests from independent power producers. These states sit at crucial crossroads of naturalgas pipelines and large electric transmission networks, particularly the large system operated by the Tennessee Valley Authority, that could be used to send power to growing Southeast markets. Another attraction: Until now, both have had few regulations for reviewing new facilities.

Benefits Analysis

But Kentucky and Tennessee officials have become worried their states would suffer rather than benefit from more new plants. The potential capacity of all the proposed plants would far outstrip the needs of either state during peak demand, and state officials suspect most of the proposed plants would export power elsewhere. So Kentucky and Tennessee consumers won't necessarily see cheaper or better electric service, the officials say. Meanwhile, local electric transmission networks could be strained under the increased loads, and new plants could contribute to air pollution and draw down needed water supplies.

So the states are acting. Tennessee officials are expected to recommend this week that Gov. Don Sundquist create a two-year pilot siting review in which the state would perform a cost-benefit analysis on proposed plants to determine if potential problems-including traffic, noise or pollution-would offset benefits such as

new jobs.
"We'll put in a couple of extra hoops in the process," says Tony Grande, commissioner of the Tennessee Department of Economic and Community Development, and chairman of an energy-policy task force appointed by Gov. Sundquist. "There is clearly a desire to limit" new plants in Tennessee, Mr. Grande says.

Last summer Gov. Sundquist and Kentucky Gov. Paul Patton each imposed moratoriums on additional applications for new plants and formed task forces, including Mr. Grande's, that combine industry and environmental officials to develop policies that would protect both the environ-

ment and electric grid systems.

Gov. Patton is expected to extend the moratorium, which expires this Friday, for 180 days to give the state Legislature time to debate a siting bill. One proposal before lawmakers would prohibit plants from locating 2,000 feet or closer to a residential neighborhood or school. Gov. Patton is expected to propose his own law within two weeks, based on recommendations from his staff and advisers.

State officials say Kentucky needs to be able to consider the cumulative effects on air pollution and other resources of permitting so many facilities. "We're just adopting a cautious approach because we want to know exactly the impact going forward," says Annette DuPont-Ewing, executive director of the Kentucky Energy Policy Advisory Board.

The sheer number of proposals in both states also has Kentucky and Tennessee officials wondering how their local power grid could bear the increased load. For example, the Tennessee Valley Authority, the government power agency that provides service to nearly all of Tennessee and parts of southern Kentucky, says it has received more than 100 requests, totaling more than 70,000 megawatts, from power companies to plug into its system and send power to distant markets throughout the Southeast. A TVA spokesman, John Moulton, says the agency's system couldn't accommodate all this additional load without requiring "significant investments" from the power companies to upgrade the grid, which could drive up costs to the point where some plants may not be cost-competitive.

And in the non-TVA portion of Kentucky, state officials say they don't want to have customers of their local utilities pay for transmission upgrades needed to send power to customers in other states. Would the new plants "somehow impact the ability of our incumbent utilities to deliver electricity? Would service to our customers be impacted?" asks Tom Dorman, executive director of the Kentucky Public Service Commission. "Those are legitimate state concerns."

These are tricky regulatory waters for the states. Federal energy officials are in the midst of a far-reaching initiative to create larger regional wholesale markets. The outcome of those deliberations may limit how much say Kentucky, for example, would have in determining who pays for transmission upgrades. Moreover, under federal law, states can't refuse to host independent power facilities simply because the electricity is intended for out-of-state markets. So their only recourse may be to impose local siting conditions that are so onerous they discourage development.

Fairness Issue

Power companies say they hope both states remain open-minded. "We'd rather not have to go through" new regulations, "but we're fairly confident we'll be able to meet the criteria established by the task force in terms of this initial screening,' says John Flumerfelt, government affairs director for the eastern division of Calpine Corp., a San Jose, Calif.-based independent power company that is considering several projects in Tennessee.

Vic Svec, spokesman for St. Louisbased Peabody Energy Corp., which has received a draft permit for a 1,500-megawatt coal plant in Kentucky, says states shouldn't be biased against facilities that export power. After all, he notes, Kentucky doesn't "say all the food produced in-state must be consumed within the state."

January 7, 2002

News Stream, 1/7/02

PEABODY ENERGY RECEIVES PRE-APPROVAL FOR COAL-BASED ENERGY CAMPUS AIR QUALITY PERMIT IN KENTUCKY

ST. LOUIS, MO - - - Peabody Energy has received pre-approval for the air quality

permit from the Commonwealth of Kentucky regarding a proposed coal-based electricity generation project in Western Kentucky.

This project, the Thoroughbred Energy Campus, would be located near Central City in Muhlenberg County. The proposed project would consist of a 6 million ton-per-year underground coal mine that would fuel a 1,500 megawatt generating plant sited on approximately 4,500 acres of property controlled by Peabody.

The generating station is being designed to be the cleanest major coal-based power plant east of the Mississippi River. (Peabody Energy)

Burrelle's NewsExpress

Page 1 of 1 (PDSL0ESB)

Sat January 5, 2002 Appears On Page 2BIZ Circulation: 326,330

ST. LOUIS POST DISPATCH

Peabody gets preliminary OK

Peabody Energy, of St. Louis, said Friday it has won preliminary state approval for an air quality permit to build a 1,500-megawatt coal generating plant in western Kentucky.

Peabody, the world's largest coal producer, is moving into the production of electrical power generated by its coal. The Thoroughbred Energy Campus, near Central City in Muhlenberg Country, Ky., would exploit an underground mine at the rate of 6 million tons a year.

Peabody announced plans last year for a second 1,500-megawatt electricity-generating plant in Washington County, Ill., about 50 miles southeast of St. Louis.

Megawatt Daily, 1/7/02

Peabody's 1,500-MW coal plant wins draft air permit

Peabody Energy Friday said it has received a draft air permit from the Kentucky Div. of Air Quality for a 1,500-MW, coal-fired merchant power plant it hopes to build in Muhlenberg County.

Following a 30-day public comment period, the state agency will decide whether to approve a final air permit for the nearly \$2-billion Thoroughbred Energy Campus project, most likely in March or April.

The project also would include an underground coal mine that would sup-

ply 6 million tons of coal a year to the plant. The spokesman said Peabody also is negotiating with several prospective partners to participate in the project.

Peabody intends to manage project permitting and mine operations and is seeking a partner that would manage plant operations and power marketing. He said a partnership agreement could be signed in a couple of months. Peabody, the spokesman added, is still on track to place the plant in operation in late 2005 or early 2006.

Peabody Gets Draft Air Permit For Thoroughbred

Peabody Energy has received pre-approval from the state of Kentucky for an air quality permit for its proposed Thoroughbred Energy Campus.

Peabody plans to build a 1,500-MW generating facility on a 4,500-acre tract it owns near Central City in Muhlenberg County (CD 8/8/01; 2/9/01). The project would include a 6 million tons/year mine designed to fuel the power plant.

Pre-approval was not unexpected. A Peabody exec said in November that the company was expecting a draft permit by the end of 2001 (CD 11/21/01). Luckily for Peabody, Thoroughbred was one of the two dozen proposals submitted to the state prior to the freeze on new applications instituted last summer by Gov. Paul Patton (D) (CD 6/21/01; 12/24/01).

"We're pleased to reach another milestone in our efforts to make Thoroughbred a reality," Peabody executive VP for corporate development Roger Walcott said. "We look forward to continuing to work with Kentucky to move the project forward and enable its economy and people to continue to enjoy the security of energy that is reliable, low in costs and low in emissions."

The producer said it is holding discussions with several prospective partners regarding the scope and structure of the power plant project. Peabody wants to manage the project permitting and mine operations, but is looking for a partner that would manage plant operations and power marketing.

January 6, 2002

Published Sunday, January 6, 2002, in the Lexington Herald-Leader

Proposed projects a regulation issue

By John Stamper HERALD-LEADER BUSINESS WRITER

Less than two years after passing legislation to lure coal-fired power plants to Kentucky, the General Assembly will ponder this spring how to regulate where those same plants can be built -- if at all.

After two dozen electricity generators were proposed in Kentucky within 21 months, Gov. Paul Patton put the kibosh on any further plants in June with a six-month moratorium.

He extended the moratorium last month until Jan. 11, and is expected to lengthen the ban again until a bill on how to site power plants is approved.

One such bill has already been filed by Rep. Jon Draud, R-Crestview Hills, and Patton has promised to deliver his own version by mid-January.

Draud's proposal calls for the Public Service Commission to oversee the siting of merchant power plants and bans new plants from locating within 2,000 feet of a residential neighborhood, cemetery, historic landmark, school, hospital or nursing home.

The state Public Service Commission is crafting another bill that would ensure electricity produced by the state's existing utility companies gets priority on Kentucky's power grid.

The reason for all this anxiety: Most of the electricity produced by the new generators, called merchant plants, will be shipped out of state, but the pollution they create will stay.

The new merchant plants might also overwhelm the state's high-voltage electricity lines unless costly upgrades are made. If Kentuckians are forced to foot the bill, as some federal policy makers have suggested, electricity rates in the state could skyrocket.

On the other hand, if a limited number of power plants were placed at strategic points along the electricity transmission system, they might actually increase its reliability.

To make sure new plants locate only in places where they won't cripple the power grid or cause severe environmental problems, Patton is expected to recommend legislation that will create an independent siting board for merchant plants.

His energy policy advisory board suggested last month that the siting group include the three-member Public Service Commission, which regulates traditional utility companies, and the secretaries of the Natural Resources and Environmental Protection Cabinet and the Economic Development Cabinet.

The energy policy advisory board also "strongly endorsed" the idea of restricting new power plants to existing utility sites.

The board recommended, however, that any siting law exclude proposed plants that have already received state and local permits to build.

So far, eight of the two dozen power plants proposed in the past three years are already under construction or in operation. An additional six have been issued permits to emit air pollution.

Published Sunday, January 6, 2002 in the Louisville Courier-Journal

THE ENVIRONMENT Trash, power plants among issues

By James Bruggers

The Courier-Journal

For the third session in a row, the General Assembly will be talking trash.

Though it's not sure how to pay for it, the Patton administration intends to put forward a bill that pushes all counties toward universal garbage collection, improves recycling, funds assessment and cleanup of more than 500 abandoned landfills and brings to life the state's environmental education plan, said Mark York, spokesman for the Natural Resources and Environmental Protection Cabinet.

Rep. Greg Stumbo, the House majority leader, wants legislation that slaps a half-cent tax on most beverage containers and fast-food cups and assesses landfills \$1 a ton, with revenue supporting recycling and cleanup of roadside dumps and other waste problems.

Legislators, backed by environmentalists, business interests or perhaps both on some issues, also are expected to address a proliferation of proposed power plants, vehicle emissions testing, funding for Kentucky's hazardous waste cleanup fund, "smart growth," factory-scale farming, and oil and gas drilling rules.

Lexington attorney Lloyd Cress, director of environmental affairs for the Kentucky Chamber of Commerce, said he expects environmental issues to take a back seat to the state's expected budget shortfall, creating new legislative districts and education.

"I don't think environmental issues will be at the forefront," he said.

Environmental lawyer Tom FitzGerald partially agreed. However, he said the legislature will have a busy environmental agenda, starting with how the budget woes could cripple agencies' abilities to manage and enforce environmental laws.

"I think out of necessity we will have to deal with some (environmental issues) this time, and there are others where the governor has raised issues that need significant attention," said FitzGerald, director of the Kentucky Resources Council. "The question is whether the legislature will focus on them."

For example, two cleanup funds -- one for hazardous waste and the other for old tires -- will expire next year without a legislative extension.

And if the legislature doesn't adopt Gov. Paul Patton's emergency regulations on factory-scale animal production, including a provision that holds corporate owners of livestock responsible for pollution, they will expire.

Other likely debates:

- Should the General Assembly force Jefferson County to exempt the newest vehicles from emissions testing or scrap the program entirely?
- Should proposed power plants that plan to sell energy on the wholesale market be exempt from the Public Service Commission, which has jurisdiction over their regulated counterparts, and from local zoning laws?
- Should it be easier for these merchant plants to obtain required "pollution credits" for their emissions? Would this affect utility rates?
- Should there be new restrictions on mining resources other than coal and oil and gas drilling? The governor ordered a moratorium on new permits last summer.
- Will the state finally fund a \$1.6 million environmental education master plan, completed in 1999?

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January 06, 2002 16:31

Panel Could Study Coal-Fired Plant Proposal for Central City, Ky., Area

By David Blackburn, Messenger-Inquirer, Owensboro, Ky.

Jan. 6--State Rep. Brent Yonts is aware that Gov. Paul Patton will likely suggest that the General Assembly regulate where merchant power plants can be built.

But the Greenville Democrat says it's up in the air how, or if, it will affect the Thoroughbred Energy coal-fired plant Peabody Energy wants to build near Central City.

"I'll be talking to him about it, and he'll talk to me about it," Yonts said, noting he has seen no details about what Patton plans to propose.

The same goes for Vic Svec, public relations vice president at Peabody's St. Louis headquarters.

"It's a little speculative at this point," Svec said Friday morning. "Peabody has seen nothing the state has discussed that we are actively opposing."

Siting regulation would look at the impact a merchant power plant, which sells the electricity it produces on the wholesale market, would have on the environment and its locale.

One suggestion is the creation of a seven-member siting committee.

Such a committee would likely include three members from the Public Service Commission, said Annette Dupont-Ewing, the director of Patton's Energy Policy Advisory Board.

She said it also would include one each from the state Economic Development and Natural Resources and Environmental Protection cabinets, plus two local representatives.

The local members would rotate and be chosen based on the proposed plant site, Dupont-Ewing said. The board suggested a siting committee and other ideas during a Dec. 20 meeting with Patton.

The advisory board also suggested extending Patton's moratorium on power plant applications after two dozen applications were submitted last year. Patton issued the moratorium in June and extended it in mid-December to this Friday.

That freeze was done to study the environmental and logistical impacts, as well as the impact on the state's relatively small electricity transmission grid, said Rusty Cheuvront, Patton's press secretary.

"We had never been faced with a collective number being built," Cheuvront said.

PEABODY ENERGY - <u>BTU</u>

Price 28.11

Net Change ▼ -0.07

Volume (000) 97

Day High 28.20

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as of 01/07/02 12:47 PM EST "We're still working on draft legislation," DuPont-Ewing said, declining to go into specifics.

Terry Sebastian, Patton's deputy press secretary, would not go into details, either.

"Where things stand right now, the governor is looking at the board's recommendations," Sebastian said. "He will make a determination from those."

Opponents of siting regulation said that most of the proposed plants would use less-polluting natural gas and operate only during peak demand times. All of the plants would bring jobs and indirect economic benefits to area communities, they say.

Opponents also say regulation would slow Kentucky's ability to compete in the highdemand world of supplying electricity and the opportunities to develop better technology to help burn coal cleaner.

Svec said some of the electricity produced by Thoroughbred and similar plants could be used here or in surrounding states. He likened the state's selling of its resources to farming.

"It's a good place to raise crops; it's a good place to mine coal," Svec said.

Those favoring siting regulation say the electricity would not benefit the state from which the materials -- coal or natural gas -are gathered, and the cost of upgrading the transmitting system to handle the higher output would fall on Kentuckians.

Proponents also say most local governments have neither the manpower to determine what sites are suitable nor zoning laws that could keep plants from locating near residential areas.

Yonts, who anticipates Patton extending the principles of his Smart Growth Task Force, compared the siting issue to that of large-scale hog and chicken operations.

"I don't think we need chicken houses near residential areas," he said. "We've got a hodge-podge of development across the state."

But the state is usually reluctant to tell counties how to regulate development, Yonts added.

"People get mighty upset when they're told what they can or cannot do with their property," he said.

Yonts thinks Patton will follow a philosophy that led him to create the Smart Growth Task Force.

"It's sort of an issue of 'Where is the best place to put it?' " he said.

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January 5, 2002





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Business » News

Saturday, January 5, 2002

Kentucky OKs permit, bringing Muhlenberg plant a step closer

By Bill Wolfe

The Courier-Journal

Peabody Energy's proposed \$1.5 billion coal-fired generating plant in Muhlenberg County has taken a step toward reality with state approval of a draft permit for the Thoroughbred Energy Campus.

The St. Louis energy company wants to build a power plant next to a coal mine. It would generate 1,500 megawatts a year for sale on the nation's power markets.

The draft permit for Thoroughbred includes modifications to Peabody's original application, such as more pollution-control equipment. The permit is available for review at the Muhlenberg County Courthouse and with the state, said Diana Andrews of the state Division for Air Ouality in the Natural Resources and Environmental Protection Cabinet.

The draft is "an important step and another rung in the ladder of . . . a fairly long process," Vic Svec, vice president of external affairs for Peabody Energy, said yesterday.

The company hopes to receive final approval and begin construction by midyear. The plant would begin operating in 2005 or 2006, Svec said.

The proposal is in the public-comment period, which will end Feb. 12 with a public hearing scheduled for 6:30 p.m. CST at the Muhlenberg County Career Advancement Center.

The state can issue its final draft permit 60 days later. The U.S. Environmental Protection Agency then has 45 days to raise any objections.

The plant, which would create 400 to 500 full-time jobs, has won support from local leaders. Concerns have been raised about how the plant's emissions would affect visibility at Mammoth Cave National Park, 60 miles to the east.

Bob Carson, air resources specialist at the park, has said preliminary information indicates emissions would reduce visibility at the park by more than 5 percent on 49 days each year.

Gov. Paul Patton had imposed a six-month moratorium on new airquality permits to give his energy policy board and the Public Service Commission time to study if plants such as the one planned by Peabody would affect existing electric systems. The company filed its initial application before the start of the moratorium.

The public can comment on the plan at the Feb. 12 hearing or by writing to the state. Letters can be sent to John Lyons, director, Division for Air Quality, 803 Schenkel Lane, Frankfort, Ky. 40601. E-mail: john.lyons@mail.state.ky.us.

January 4, 2002

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Friday January 4, 12:17 pm Eastern Time

Press Release

SOURCE: Peabody Energy

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Peabody Energy Receives Pre-Approval For Thoroughbred Energy Campus Air Quality Permit

ST. LOUIS, Jan. 4 /PRNewswire/ -- Peabody Energy (NYSE: BTU - news) today announced that it has received pre-approval for the air quality permit from the Commonwealth of Kentucky regarding a proposed coal-based electricity generation project in Western Kentucky.

This project, the Thoroughbred Energy Campus, would be located near Central City in Muhlenberg County. The proposed project would consist of a 6 million ton-per-year underground coal mine that would fuel a 1,500 megawatt generating plant sited on approximately 4,500 acres of property controlled by Peabody.

The generating station is being designed to be the cleanest major coal-based power plant east of the Mississippi River. If successfully completed, the Thoroughbred Energy Campus would provide lowcost, low-emissions electricity for up to 1.5 million families.

"We're pleased to reach another milestone in our efforts to make Thoroughbred a reality," said Peabody Energy Executive Vice President for Corporate Development Roger B. Walcott Jr. "We look forward to continuing to work with Kentucky to move the project forward and enable its economy and people to continue to enjoy the security of energy that is reliable, low in costs and low in emissions."

Peabody is engaged in discussions with several prospective partners regarding the scope and structure of the project. Peabody intends to manage project permitting and mine operations, and is seeking a partner that would manage generating plant operations and power marketing.

Peabody Energy is the world's largest private-sector coal company. Its coal products fuel more than 9 percent of all U.S. electricity generation and 2.5 percent of worldwide electricity generation.

SOURCE: Peabody Energy

Peabody gets pre-approval for Western Kentucky power station - 2002-01-04 - Business Fi..

Business First of Louisville - January 4, 2002 http://louisville.bcentral.com/louisville/stories/2001/12/31/daily30.html



Breaking News

January 4, 2002

Peabody gets pre-approval for Western Kentucky power station

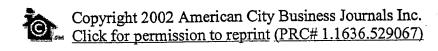
St. Louis-based Peabody Energy has received pre-approval from the Commonwealth of Kentucky for an air quality permit for a proposed coal-based electricity generation project in Western Kentucky, according to a news release.

The company's proposed Thoroughbred Energy Campus would be located near Central City in Muhlenberg County and would consist of a 6-million-ton-per-year underground coal mine and a 1,500-megawatt generating plant on about 4,500 acres. The generating station would provide electricity for up to 1.5 million homes, the release said.

"We're pleased to reach another milestone in our efforts to make Thoroughbred a reality," Roger B. Walcott Jr., Peabody's executive vice president for corporate development, said in the release. "We look forward to continuing to work with Kentucky to move the project forward and enable its economy and people to continue to enjoy the security of energy that is reliable, low in costs and low in emissions."

In October, the company filed for a permit in Illinois to build a similar power station that it said will create 400 to 500 permanent jobs and bring \$40 million to \$60 million in annual economic benefits to the region.

Peabody Energy is a private-sector company that produces coal and electricity.



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<u>Peabody</u>

News Release

CONTACT: Vic Svec (314) 342-7768

FOR IMMEDIATE RELEASE January 4, 2002

PEABODY ENERGY RECEIVES PRE-APPROVAL FOR THOROUGHBRED ENERGY CAMPUS AIR QUALITY PERMIT

ST. LOUIS, Jan. 4 – Peabody Energy (NYSE: BTU) today announced that it has received preapproval for the air quality permit from the Commonwealth of Kentucky regarding a proposed coal-based electricity generation project in Western Kentucky.

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Peabody Energy is the world's largest private-sector coal company. Its coal products fuel more than 9 percent of all U.S. electricity generation and 2.5 percent of worldwide electricity generation.

January 3, 2002

LRC Public Intermation

Contact Scott Payton 502-564-8100

Pre-approval of Muhlenberg power plant issued by state

For Immediate Release 1-3-2002

FRANKFORT — The Kentucky Natural Resources and Environmental Protection Cabinet has pre-approved the air quality permit for construction of Thoroughbred Generating's proposed coal-fired power plant in Muhlenberg County. Governor Paul Patton, Rep. Brent Yonts and Sen. Dick Adams joined with the state Natural Resources and Environmental Protection Cabinet in announcing the preapproval.

The water and waste permit should be approved soon, said Yours, adding that the air permit was the "toughest issue to resolve."

Yours, D-Greenville, and Adams, D-Madisonville, hope for final approval of the 1,500 megawart plant to be granted after a public comment period, which lasts about 30 days. The state has 60 days following the public comment period to review the comments, if any, before issuing final approval. Construction should hopefully be underway by summer of 2002, said Yours.

The project, expedited by the national energy crisis and increased emphasis on coal, was made possible when the Kentucky House of Representatives passed a bill that gives tax credits to power plants that burn Kentucky coal and to companies that build power plants in Kentucky. Yours co-sponsored the legislation, which is now law, in the 2000 General Assembly, and Gov. Patton and Adams supported the bills.

The project has been delayed for months as state environmental officials grappled with possible effects the plant would have on air quality. The delay was not caused by a moratorium on new power plant construction ordered by Governor Paul Patton earlier this year.

Yonts said the project was pur on a fast track due to cooperation and support from Peabody Energy, Sen. Adams, other state leaders and the cabinet secretaries and deputy secretaries.

(MORE)



"I am very pleased that my request for a more expeditious-permit approval process has been granted, and I will continue to work with the Governor, Sen. Adams and others to move this important project along," said Yonts.

"Thoroughbred Generating's plan to build a 1.500 megawatt coal-fixed plant in the county was a welcome announcement since the new plant will mean a boost to the county's coal industry and will create new jobs," said Adams. "This is good news for us all."

Citizens have 30 days after pre-approval of the air permit for the project to share their comments or concerns with the project with the state Natural Resources and Environmental Protection Cabinet.

The total cost to build the plant will be approximately \$2 billion, according to Peabody Energy.

The project will bring hundreds of jobs to Muhlenberg County during plant construction and plant operation. By 2004, approximately 2,000 construction workers will be employed to work on the project, company officials said. By late 2005 or early 2006, company officials expect nearly 400 people to be directly employed through the plant and mining operations.

Anticipated lowered air emissions from the planned installation of a new scrubber at the Paradisc plan may have removed some objections state officials had to the proposed Thoroughbred Generating plant, said Youts. State permitting for the plant had been delayed by government agencies that feared it could irreparably harm the environment,

January 1, 2002

Published Tuesday, January 1, 2002, in the Lexington Herald-Leader

New energy plants offer needed power and jobs

By James W. Kasey

It is important for consumers to understand the existing electric generation, transmission and distribution system so that they have a context to evaluate alternative energy policies and the changes that are being proposed. The Herald-Leader's series is a good start, but a number of trends that the articles did not report should concern electric customers.

The first is the trend toward lower generation reserve levels. Reserves are the amount of generation capacity that is greater than the peak needs of customers. It is available generation reserves that help make our electric system so reliable. Generating plants experience unexpected breakdowns, just like most other types of mechanical equipment. If additional generation is available when breakdowns occur, the lights stay on. If it is not, they don't. Average generating reserves in the United States were 33 percent in 1982, 25 percent in 1990 and 15 percent in 2000. It takes about 6 percent reserves to reliably keep the lights on. In California during the summer of 2000, reserve levels dipped to about 4.5 percent, and the lights did not stay on reliably. As California found out the hard way, we have to maintain adequate reserves if we want reliable power.

The second trend is that our electric generating plants are getting older. Much of the generating capacity in Kentucky was built during the 1960s and '70s. Even with proper maintenance, these plants are nearing the point when decisions must be made to either refurbish or retire them, the cost of which will be passed on to ratepayers and result in price increases. It is often more expensive to refurbish and retrofit an old plant than to build a new plant.

A report by the Department of Energy, "Annual Energy Outlook 2001," states that although growth in electricity demand from 1999 to 2020 is projected to be slower than in the past, 393 billion kilowatts of new generating capacity will be needed by 2020 to meet growing demand and to replace retiring units. Assuming an average plant capacity of 300,000 kilowatts, 1,310 new generating plants will be needed nationwide by 2020.

In this context, the number of new generating plants being proposed for Kentucky (24) does not look that high. It takes about five years to build a coal plant and about two years to build a natural gas plant. With the time that it takes to plan, permit and construct these units, it is a good idea to start early to keep ahead of our energy needs.

Private investment will pay for these new plants, which will be built based on the best available technology and have lower emissions than the older plants now in operation.

The third trend is toward wider geographic management of the transmission grid through regional transmission organizations. These RTOs will assure that planning the transmission system, scheduling transactions and calculating available transmission capacity for additional transactions will be done on a broad regional level rather than at individual utilities.

Many of the problems regarding transmission noted by East Kentucky Power Cooperative Vice President Paul Atchison in the Dec. 17 article result from what is known as parallel flows, which are unscheduled uses of a utility's transmission system that result from transactions scheduled on another utility's lines.

Kirchoff's Law says that electricity follows the path of least resistance, so even though a transaction may be scheduled over another utility's lines, some of the flow may occur on your system.

Parallel flows can be analyzed and addressed on a broader regional basis so that these problems can be avoided.

Also, as Atchison noted, when the grid is overloaded, it may separate into islands.

An island is created when certain parts of the transmission separate from the rest of the grid and no power can be imported or exported to or from the affected area or island.

If an island develops and there is not sufficient generation within the island, a blackout may occur.

If, however, there is generation within the island, this may avoid the island effect.

The people closest to the generating source will receive the power on the island.

Transmission lines need reactive power supplied to them to induce a magnetic field on the line that enables transmission of electricity to occur.

The new generators that are being built around the state can help to supply this reactive power, to enhance the capability of the grid to transmit power and to provide voltage support.

These additional details should help explain some of the positive attributes new generating plants will bring to Kentucky. These new plants will provide construction jobs, permanent operating jobs and additional tax revenue to Kentucky and will help to attract industries that require high-quality, reliable and affordable power.

James W. Kasey owns a energy consulting firm and is a retired LG&E executive.

At issue

Dec. 16, 17 and 18 Herald-Leader series by John Stamper and Andy Mead, "Power struggle: The costs of Kentucky's latest growth industry"

January, 2002

COAL PEOPLE

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Peabooy Energy, St. Louis, MO, has received pre-approval for the air quality permit from the Commonwealth of Kentucky regarding.

a proposed coal-based electricity generation project in Western Kentucky, the Thoroughbred Energy Campus located near Central City in Muhlenberg County. The project would consist of a 6 million ton-per-year underground coal mine that would fuel a 1,500 megawatt generating plant sited on approximately 4,500 acres of property.

February 28, 2002

Ky. House OKs Plant Siting Bill

A bill to regulate the siting of new electric generating plants and transmission lines passed the Kentucky state House this week. But an amendment extending the state's

moratorium on new applications for coal-fired power plants failed to garner enough votes. The bill now moves to the state **Senate** for consideration, where it is likely to pass.

If the bill passes, any new projects would not only have to be approved by the Kentucky **Public Service Commission**, but would also have to go through a new, seven-person "siting board" that would judge the appropriateness of the proposed plant's location (CD 2/15/02; 2/11/02).

The House also approved an amendment to the original bill that would require the siting board to "give favorable consideration" to projects that would utilize clean coal technology.

But an amendment that would have extended a state moratorium on new permits for electric generating facilities through June 21, 2003, was defeated.

State Gov. Paul Patton froze new plant applications after complaints from regulatory agencies about an increase in volume in permit requests (CD 6/21/01; 6/19/01). That freeze was later extended to July 2002.

Patton is unlikely to extend the moratorium again, a Natural Resources and Environmental Protection Cabinet source indicated yesterday. The purpose of extending the moratorium through summer 2002 was to give state lawmakers time to write new laws to regulate the state's burgeoning energy export industry (CD 12/24/01).

CONSULTANT FORESEES REVENUE SHORTFALL UNLESS STATE ALTERS TAX STRUCTURE

By Tom Loftus

tloftus@courier-journal.com The Courier-Journal

FRANKFORT, Ky. -- State revenues will fall billions of dollars short of meeting Kentucky's needs, including education, by the end of the decade unless tax changes allow revenue to grow with the economy.

That was the main conclusion yesterday of a consultant hired by the legislature a year ago to study the tax system.

"Revenue growth in Kentucky has slowed dramatically over the past six years," wrote William Fox, a University of Tennessee economist.

Without changes, Kentuckians will see "a huge decline in the Commonwealth's ability to finance education and infrastructure," Fox predicted.

His report comes as lawmakers are more than halfway through a session dominated by the constraints of a tight budget. But in an election year, passage of tax reform is considered doubtful.

Still, Rep. Harry Moberly, chairman of the House budget committee, said he will file a bill this week that incorporates several modest options that Fox suggested.

Democratic Gov. Paul Patton and Republican Senate President David Williams said yesterday that they are open to changes in the tax code.

Moberly called Fox's conclusion "scary."

"If we don't do something to stop the natural erosion of our revenue base," he said, "we will not be able to continue to finance public education at its current level -- and many other needed services."

But Moberly said that it would not be "politically feasible" to adopt some of the major options that Fox listed. These include extending the sales tax to cover a broad range of services, or restoring the income tax to pension income.

But a bill that raises some taxes while lowering others and is "revenue neutral" could be adopted in the short term, Moberly said.

He said these include applying all corporation taxes to businesses that now avoid some taxes as "limited liability companies;" revising a 1979 law that limits revenue growth from the property tax; and replacing state and local telecommunications taxes with a single rate that would for the first time tax satellite television.

Moberly said the single tax rate needed on telecommunications services would be set between 7 percent and 7.5 percent to replace revenues from the existing taxes.

He said he also is considering a bill to tax the electricity sold by "merchant" power plants that export electricity to other states. And he said that while there is formidable resistance to raising Kentucky's 3-cents-apack cigarette tax, lawmakers might be more open to applying a comparable tax to cigars and smokeless tobacco, currently untaxed.

Some combination of those measures could be offset by a cut in the unpopular property tax on vehicles, Moberly said.

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LAWMAKER TO SEEK FLAT TELECOM TAX RATE Moberly also weighs changing other levies

By Jack Brammer HERALD-LEADER FRANKFORT BUREAU

FRANKFORT - The state House budget chairman plans to file a bill to replace the various taxes set by state and local governments on telecommunications with a flat state rate, probably between 7 percent and 7.5 percent.

Rep. Harry Moberly, D-Richmond, said yesterday that he also might sponsor legislation that would place the state's 6 percent sales tax on some services and tax Kentucky-produced electricity that is shipped out of state.

Moberly's comments came after the legislature's special panel studying the state's tax system received a report from its consultant, William F. Fox, an economics professor at the University of Tennessee.

Fox said his yearlong study shows that Kentucky's tax system is not growing with the economy. He said it was designed for the 1940s and '50s, not the 21st century.

A continuation of slow revenue growth could mean "a huge decline in the commonwealth's ability to finance education and infrastructure investments in its future," Fox's report said.

"By 2010, revenues would be more than \$2.3 billion short of the demand for public services."

Fox said Kentucky legislators have three options: Cut state government, raise tax rates or fix the tax system so it grows with the economy. He said the last one "makes the most sense."

Fox presented 20 possible steps to accomplish that, including taxing all tobacco products and not just cigarettes; raising the excise tax on beer, wine and distilled spirits; and extending the sales tax to selected services, including rental cars and recreational activities such as golf and bowling.

Even though today is the 36th day of the 60-day legislative session, there is time to approve tax changes.

The Republican-controlled Senate has been leery of approving any tax increase. Its leaders, however, say they are willing to discuss "revenue-neutral" proposals.

Moberly said his proposal probably will include a change in the way telecommunications services are taxed in Kentucky.

It would be designed, he said, to simplify the state's current system of taxing telecommunications, under which school districts and local governments set a multitude of different tax rates on telephone, cable television and some other services, while exempting some related items such as satellite television.

Moberly said he is considering a flat state tax on telecommunications, with some proceeds returned to schools and other local governments that also collect the tax. The rate probably would be between 7 percent and 7.5 percent, he said.

Senate Majority Leader Dan Kelly, R-Springfield, said he favors a flat tax on telecommunications, but that he has been told by industry officials that the rate could be less than 7 percent.

Other proposals he is considering, Moberly said, include changing the way state property tax rates are calculated or freezing the real property tax rate now at 13.4 cents per \$100 valuation. He also mentioned taxing electricity produced in Kentucky and shipped out of state.

Moberly also said the Fox study underscores the need for "alternative sources of revenue" such as expanded gambling. A bill was filed this week at the horse industry's urging to allow slot machines at eight racetracks to raise money for the state and the tracks.

Senate budget chairman Richie Sanders, R-Franklin, said he was willing to work with Moberly on possible tax changes but that Senate leadership "will have to weigh in."

Senate President David Williams said he wants a tax structure that keeps up with the economy, but he did not want tax reform to be an excuse to approve large amounts of additional revenue.

"I'm willing to enter into a hard discussion on this issue," said Williams, R-Burkesville.

Gov. Paul Patton, who unsuccessfully pushed in the 2000 General Assembly some of the steps the Fox study mentioned, said yesterday that Kentucky "needs to adjust its taxes and make them more fair and make them grow as our economy grows."

He said a tax on services is hard to implement and that he did not know whether the legislature would be willing to accept a comprehensive telecommunications tax.

"It's good that the debate is starting," Patton said. "As always, we will be willing to take part in those discussions."

Reach Jack Brammer at (859) 231-1302 or jbrammer@herald-leader.com.

February 27, 2002

Published Wednesday, February 27, 2002 in the Evansville Courier & Press

AIR QUALITY REPORT FOR PLANT DRAWS COMPLAINT

By MARK WILSON

Courier & Press staff writer 464-7417 or mwilson@evansville.net

Evansville-based environmental group Valley Watch is charging that Kentucky has failed to make public a new air quality analysis for Peabody Energy's proposed Thoroughbred generation station in Muhlenberg County.

The analysis was completed after the state issued the draft pollution permit for the proposed generating station.

"To our knowledge, this new, extremely important data is not currently available to the public and certainly was not available to the public when the draft permit was issued for public comment," wrote John Blair, Valley Watch president. Valley Watch filed its comment on the permit Tuesday, accusing the state's Division of Air Quality with using "shoddy procedure" on the permit and asking that the permit be shelved until problems noted by the group and other objectors can be fixed. "The draft and the procedure used seriously make us wonder if we are living in a period where political connections take precedence over the law," Blair wrote.

Valley Watch also is asking the Division of Air Quality to reopen the permit to public comment after giving time for opponents to conduct their own air quality analysis. "We certainly have the expertise to be able to do something like that," Blair said Tuesday. Peabody contends the 1,500-megawatt plant will be the cleanest of its size east of the Mississippi River, with sulfur dioxide

and nitrogen oxide pollution 82 percent lower than the average emission rates for coal-fired power plants in Kentucky. However, the Indiana Department of Environmental Management, in its own comments on the permit, has questioned whether Peabody's conventional pulverized coal-burning plant is the best available technology available despite the pollution controls proposed for it.

With more than 6,000 tons per year of potential nitrogen oxide emissions from Thoroughbred, Indiana officials question whether the power plant will cause ozone problems in Indiana. A December 2001 study by Kentucky indicated ozone levels in Henderson and Daviess counties, across the Ohio River from Indiana, will increase.

The Valley Watch comments note that federal rules require an ozone analysis to be done when emissions of volatile organic chemicals (VOCs) are to exceed 40 tons per year. VOC emissions for the proposed Peabody plant are estimated to be 509 tons per year.

Another question raised by Valley Watch is Kentucky's use of weather information from Nashville, Tenn., and Paducah, Ky., for its air quality analysis when information from Evansville or Owensboro, Ky., is available.

Evansville Courier, 2/27/02

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URL: http://www.mylnky.com/ecp/local_news/article/0,1626,ECP_745_1005265,00.html

Air quality report for plant draws complaint

By MARK WILSON Courier & Press staff writer 464-7417 or mwilson@evansville.net

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EFFICIENT COAL BURNERS WOULD BE FAVORED

Herald-Leader staff report

FRANKFORT — Power plants that use Kentucky coal efficiently might be favored when the state divides allocations that allow a plant to release a key air pollutant.

House Bill 408 would set aside some nitrogen oxides allowances to plants that burn coal using net technology that produces less nitrogen oxides, or nox.

State Rep. Jim Gooch, the bill's sponsor, said yesterday that the bill is likely to be amended to encourage plants to use coal mined in Kentucky.

Gooch is chairman of the House Natural Resources and Environment Committee, which heard more testimony about the bill yesterday.

The Patton administration has proposed giving 95 percent of the state's nox allowances to existing plants, and auctioning the other 5 percent to the more than two dozen new plants proposed during the last few years.

HB 408 would give 82 percent of the allowances to existing plants and 8 percent to new plants. The remaining 10 percent would be distributed based on the efficiency of the plant.

An allowance is permission to emit 1 ton per summer of nox, a key ingredient in smog.

Michael L. McInnis, whose company, The Erora Group, wants to build a plant in Henderson County, said he would like to see efficient plants get a larger share.

The company's 1,000-megawatt Cash Creek Generation plant would need the entire allotment of allowances set aside for new plants, or would have to buy allowances from other states.

The committee earlier heard from an LG&E Energy official who said the bill would cost Kentucky's electricity customers more. That's because it would force existing plants to add more pollution controls, passing the costs on to their customers. Those plants already have installed equipment to reduce Nox emissions to meet new federal guidelines to take effect in 2004.

The committee also heard more yesterday about House Bill 496, which would require state environmental regulators to give companies found polluting ground, water or air a warning before facing a fine.

The bill has been amended in several ways — the requirement for a 45-day waiting period, for instance, is gone. Business organizations support it, but state regulators and environmental advocates still find it lacking.

"From the standpoint of people who expect laws to be enforced when there is a violation, any delay is too long," said Tom FitzGerald of the Kentucky Resources Council, who has labeled the bill as the session's worst.

February 26, 2002

February 26, 2002

News Stream, 2/26/02

KENTUCKY HOUSE APPROVES BILL TO REGULATE POWER PLANT SITES

FRANKFORT, KY. - - - The Kentucky House of Delegates approved a bill yesterday to regulate where new power plants are built in the state.

The measure was approved after delegates rejected an amendment to exclude new plants built by existing utilities.

The legislation was prompted by a rash of plans for new power plants in the state, most of them proposed by would-be operators of "merchant" plants. Such plants sell electricity on the national market, rather than directly to household consumers.

The bill, which passed 84-14, is expected to run into problems in the Senate.

In its present form, the bill would create a siting board including the PSC, two representatives from the area involved and the secretaries of economic development and natural resources. (Combined news reports)

SHERIDAN RESIDENTS FIGHT NEW POWER PLANT

SHERIDAN, WYO - - Some 100 Sheridan residents packed a public hearing to oppose plans for a Buffalo Power Co. coal-bed-methane powered generating plant planned four miles southeast of the community.

The \$120 million coal-bed-methane-powered generating plant would generate about 135 megawatts of electricity.

Residents complained to regulators that the company was less than forthright with them when they announced in January the company switched its proposed site to the Sheridan area from the Arvada area.

Jillian Malone, an organizer for Powder River Basin Resource Council, said developers inadequately researched how the power will be transported and emissions handled.

Another hearing on the power plant is set March 21 before the state Industrial Siting Council. (Combined news reports)

MESSENGER-INQUIRER

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GENERAL ASSENBLY

House passes bill to regulate new power plants

FRANKFORT — A new state board with two local representatives would regulate Kentucky's new electric power plants under a bill that passed the House on Monday on an 84-14 vote. House Bill 540 now goes to the Senate for consideration.

The bill would apply to new merchant power plants that generate electricity and sell it out of state and to Kentucky's utility plants.

"There's been a tremendous amount of misinformation by the utilities," said the bill's sponsor, Rep. Jon Draud, a Republican from Crestview Hills. "Any reasonable proposal in this state will be built."

The proposed siting board could ensure that local people have input on where power plants are located, he said

All of the local delegation voted for final passage of the bill except Rep. Dwight Butler, a Republican from Harned.

"The bill would have been better with the amendment to take out the regulated utilities," Butler said. "When that was defeated, I thought if I was unsure, I would be better to vote no The bill was going to pass anyway."

The legislation would create a panel of members of the Public Service Commission, secretaries of the Economic Development and Natural Resources and Environmental Protection cabinets and two citizens from the community where the plant is proposed. The panel could be recommend against approval of the power plant.

In Draud's district, a merchant power plant has been proposed on a site within 600 feet of a nursing home and library and similarly close to residences.

With help from colleagues, Draud fended off an amendment that would have exempted Ken-

tucky's utilities.

"There's practically no local involvement currently," Draud said.
"And there's practically no added costs for regulated utilities As representatives we have a strong responsibility to represent the public's interests."

The amendment's sponsor, Rep. Stan Lee, a Republican from Lexington, said the state's existing utilities already have a regulatory process that is working, and the state's low utility rates are proof.

"In hearings we've had, the PSC (Public Service Commission) admitted it has the authority to regulate utilities," Lee said. "This would take the regulated utilities out of the new process I believe this strays from the intent of the bill."

Rep. Brian Crall, an Owensboro Republican, voted for Lee's amendment.

"My understanding was that it kept regulatory utilities out of the siting board, and if they drifted into a merchant utility, then they would fall under the board," Crall said. "Rather than subject the regulated plants to another layer, I voted for it"

Lee's amendment was lost on a tie vote, and an attempt to have it recalled also was defeated.

City utilities such as Owensboro Municipal Utilities would be exempt from the new board's purview as a result of another floor amendment sponsored by Rep. Gross Lindsey, a Democrat from Henderson.

Crall said he had heard from OMU officials on the issue.

"They supported Rep. Lindsey's bill to exempt municipal utilities and said if that amendment was in the bill, they supported it as well," Crall said

Butler said he had heard from the local rural electric cooperative, which supported the amendment. The House also defeated an amendment that would extend the moratorium on new power plants imposed by Gov. Paul Patton last year. Patton created the moratorium after nearly 30, mostly merchant, plants were proposed.

"That would have put a moratorium on our plant in Muhlenberg County until 2003," said Rep. Brent Yonts, a Greenville Democrat. "If we continue the moratorium, it would be devastating to our region ... that

plant will have a multi-billion dollar impact on all of Kentucky."

Peabody Energy announced a year ago that it planned to build a 1,500 megawatt-capacity merchant power plant on the Green River near Central City.

"We received pre-approval Jan. 3 and held a public hearing two weeks ago in which several hundred people attended," Yonts said. "Permits for the waste and water will be coming out soon This facility will be an economic stimulus for all of Kentucky, particularly for Muhlenberg County, for the next 100 years."

Lindsay, in a raised voice, urged defeat of the amendment to continue the moratorium.

"I don't want the state of Ken-

tucky to be the smokestack for the United States," Lindsay said.

Rep. Mark Treesh, a Philpot Republican, said he voted for the bill ultimately because it's something that's needed.

Rep. Jim Gooch, a Providence Democrat, said he could vote for the measure because there are preferences for plants that use clean coal technology and it doesn't exempt Kentucky's utilities. However, he is not a big proponent.

"The bill will provide some local input, but we already had that," Gooch said. "I just hope it is not an impediment for a company to build a new plant."

Joy Campbell, 691-7299, jcampbell@messenger-inquirer.com

February 25, 2002

Peabody rules in N.M., BHP eyes longwall

ith the imminent closure of Pittsburg & Midway Coal Mining's Ancho mine (CO 2/18), Peabody Energy is rapidly becoming the dominant supplier in New Mexico.

Peabody has the existing Lee Ranch mine and has plans for the new South Hospah mine next door. It already has the state-issued air permit for the South Hospah mine and plans to apply for the mine permit in March, said a state official. The mine permit should take less than a year to issue.

South Hospah, which has an existing rail spur leading to it off the Lee Ranch spur, has targeted production of 5-6 million tons/yr, about what Lee Ranch produces. Both mines would run simultaneously, giving Peabody over 10 million tons/yr of output from these two operations. Peabody is also trying to develop a 300-MW power plant at South Hospah (CO 2/11).

With Ancho about to shut, P&M's McKinley mine to shut later this decade and continuing delays in developing the Salt River Project's Fence Lake mine, Lee Ranch and South Hospah are becoming the only games in town for New Mexico coal. Fence Lake, if developed, would not ship to the open market. But if SRP can't build the mine, it will be forced into the open market for new coal. One option, of course, is to go out of state for Colorado or

Powder River Basin coals.

Peabody also has an eye on developing the Star Lake mine, which is miles north of South Hospah and Lee Ranch. But there is no existing rail access, which is why Peabody is trying to develop a 500-MW, mine-mouth power plant to take that coal.

The only other New Mexico mines—BHP Billiton's San Juan surface/deep mines and La Plata surface job—are captive to Public Service of New Mexico's San Juan power plant. In 2000, BHP started development on the new San Juan longwall mine, designed to replace the depleting San Juan and La Plata surface jobs with 6.5 million tons/yr of production. Panel development at the deep operation has been slow, with the longwall still sitting above ground, waiting to be installed, said the state official. One of the problems has been finding trained underground miners in New Mexico.

In the meantime, BHP Billiton plans to shut the dragline at the San Juan surface job within 60 days, with regular surface production to cease soon afterward, said the state official. There is about a year's worth of highwall miner work that will be done here on existing highwalls before all production is shut. La Plata, a truck-and-shovel operation, is due to shut in early 2003, though BHP has said it might extend the mine life if the longwall is still having trouble.

Highland mine begins producing for LG&E

Besides the Highland Mining deep mine that it is developing for the Tennessee Valley Authority, Peabody Energy began producing coal in January at a second Highland mine that is supplying LG&E Energy.

The new mine in Henderson County, Ky., taps the No. 11 coal seam, according to a Peabody spokesman. The LG&E deal is a three-year contract that calls for shipments of 750,000 tons/yr. Peabody anticipates a production level for the mine of about that figure for the time being, the spokesman said. The contract is new business for Peabody and doesn't involve replacing production from any other Peabody mine, he said.

The No. 11-seam mine is using two continuous miners and four shuttle cars to produce coal that moves to the existing Camp No. 9 prep plant. The mine is staffed by 55 workers. Much of the work force for two mines in the Highland complex is from a pool of laid-off workers out of Peabody's Camp complex. Peabody worked out in January 2000 a special labor contract for those workers with the United Mine Workers of America.

Nearby, Highland has opened another portal into the No. 9 seam and is looking for first production from there late this summer. That room-and-pillar mine will supply a 4-million-ton/yr contract with TVA. The Camp No. 1 mine had been supplying No. 9 coal to TVA but shut a while ago. Another mine, Camp No. 11, is due to shut in mid 2002.

February 23, 2002

Editorials

Short-circuiting

Patton has wires crossed on regulating power plants

Perhaps the rhetorical haze surrounding Kentucky's power plant invasion has blurred Gov. Paul Patton's focus. All of a sudden he's talking as if Kentucky's regulated utilities are the problem.

In fact, as Patton has often said, Kentucky's regulated utilities produce the nation's cheapest power, an attraction for high-paying industries such as auto making.

The threat to Kentucky's economy and environment is coming from unregulated power merchants.

The wholesale power traders want to use Kentucky's water, land, air and transmission lines to pro-

duce and export power to other states power that is not needed here and may never be.

Despite publicly studying the issue, the Patton administration produced a weak bill that contains few real standards for protecting Kentuckians from the risks of power trading.

Patton's attitude seems to be that as long as nobody can see a new power plant, it doesn't much matter how many of them are built. His bill relies almost solely on a siting board dominated by

gubernatorial appointees to review power plant applications and on minimum setbacks for power plants of 3,000 feet and 2,000 feet, respectively, from neighborhoods or single residences.

So far, the merchant power interests have had good success getting exemptions from the setbacks.

For example, in an early draft of the administration bill, power plants had to be 2,000 feet from cemeteries. Then someone realized a proposed merchant plant is next to a cemetery, and out went cemeteries.

The House Local Government Committee added an amendment waiving the setback requirements "for good cause shown." How's that for wide open?

Nonetheless, Patton is hot because the state's regulated utilities are trying to get out of the bill. He criticized them this week at a chamber of commerce breakfast in Lexington

But it's perfectly reasonable of the regulated utilities to resist. They already must justify the need and cost of generating expansions to the Public Service Commission and obtain a certificate of environmental compatibility. Merchant power generation undergoes none of this scrutiny or review.

As Patton himself said in Lex-

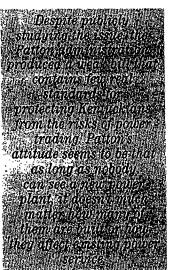
ington, the state's regulated utilities have put their power plants in isolated areas. If they change that practice, local governments and regular citizens have a longstanding right to contest decisions about power plant expansions and utility rates to the PSC.

Also, any additional costs from the added layer of review would be passed on to Kentucky consumers. The

last thing Kentucky needs is to put the regulated investor-owned utilities and rural electric cooperatives at a competitive disadvantage with the power merchants. This would raise electric rates in the state, and could be one effect of Patton's power plant bill.

Rep. Stan Lee, R-Lexington, has filed an amendment that would make the new review and requirements apply only to merchant generators. This would improve the measure and remove a political obstacle to its passage.

Even with that improvement, the legislature will need to strengthen the bill to protect Kentucky's long-term good.



February 12, 2002

LEXINGTON HERALD-LEADER

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Discord envelops Peabody's power plant plan

ASSOCIATED PRESS

- An energy giant's plans to CENTRAL CITY -

build a 1,500-megawatt, coal-fired power plant in Muhlenberg County is drawing attention outside the Western Kentucky county's boundaries.

If approved, St. Louis-based Peabody Energy's plant would consume 6 million tons of coal a year more than the county has produced since 1989.

Peabody, as well as environmental regulators and environmentalists, all agree the plant could become the model for a new generation of larger, cleaner-burning, coal-fired power plants.

"If there is going to be a new wave of coal-fired power plant construction in this country, we want the precedent established early that companies need to cross their t's and dot their i's," said David McIntosh, staff attorney with the Natural Re-

sources Defense Council, a New York-based envi-

ronmental group.

Already, environmentalists and some federal officials have begun to raise a laundry list of concerns about Peabody's plan, including that its plant may spread haze across Mammoth Cave National Park.

Locally, there's virtually no opposition.

"Coal is the heart of Muhlenberg County," said Drakesboro Mayor Richard Neathamer. "People are thinking power plant, and a coal mine along with it. ... People see this as hope. Jobs are important."

Energy companies have proposed 29 new plants for Kentucky since October 1999 - five in the past month alone.

The Peabody plant, which would be called the Thoroughbred, is the largest proposal; its twin

750-megawatt generating units would produce enough electricity to power 1.5 million homes. Called a merchant plant, it would sell electricity on the open market, either to out-of-state power providers or Kentucky utilities.

Local leaders anticipate 450 permanent jobs — 350 involved in mining. Building the plant would employ 2,500 workers during a four-year construction. The permanent jobs would pay an average of \$65,000 a year in wages and benefits, said Vic Svec, vice president of external affairs for Peabody Energy.

In addition to the Natural Resources Defense Council, critics of the proposal include officials at Mammoth Cave: the Washington D.C.-based National Parks Conservation Association; and Valley

Watch of Evansville, Ind.

The U.S. Environmental Protection Agency also has raised concerns.

At issue is a Clean Air Act mandate that new power plants use the "best available control technology" for reducing emissions that contribute to smog and cause acid rain.

But some of the strongest environmental concerns involve Mammoth Cave, whose officials already have succeeded in getting the company to add such controls as scrubbers and precipitators to re-



move sulfur and tiny pieces of soot and other pollution fine particles.

Park cials argue that the state has not adequately studied all of

the plant's potential adverse affects, including declining visibility, said Mark DePoy, chief of science and resource management at the park.

Under the law, national parks are designated as Class I airsheds and thus are supposed to have

the cleanest air in the country.

When National Park Service experts ran the plant's proposed emissions through a computer model, they found they would impair visibility within the 52,800-acre park by at least 5 percent for 23 days a year, and 10 percent on two days a year.

But the company projected a 5 percent impairment of visibility for 16 days, and no impairment of 10 percent or more. The state concluded that Peabody's numbers, are acceptable.

February 11 & 13, 2002

FLOYD COUNTY TIMES

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DAILY MIDDLESBORO NEWS

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New proposed power plant has plenty of opponents

The Associated Press

CENTRAL CITY — An energy giant's plans to build a 1,500-megawatt, coal-fired power plant in Muhlenberg County is drawing attention outside the western Kentucky county's boundaries.

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Peabody, as well as environmental regulators and environmentalists, all agree the plant could become the model for a new generation of larger, cleaner-burning, coal-fired power plants.

"If there is going to be a new wave of coal-fired power plant construction in this country, we want the precedent established early that companies need to cross their t's and dot their i's," said David McIntosh, staff attorney with the Natural Resources Defense Council, a New York-based environmental group.

Already, environmentalists and some federal officials have begun to raise a laundry list of concerns about Peabody's plan, including that its plant may spread haze across Mammoth Cave National Park.

Locally, there's virtually no opposition.

"Coal is the heart of Muhlenberg County," said Drakesboro Mayor Richard Neathamer. "People are thinking power plant, and a coal mine along with it. ... People see this as hope. Jobs are important."

Energy companies have proposed 29 new plants for Kentucky since October 1999—five in the past month alone.

The Peabody plant, which would be called the Thoroughbred, is the largest proposal; its twin 750-megawatt generating units would produce enough electricity to power 1.5 million homes. Called a merchant plant, it would sell electricity on the open market, either to out-of-state power providers or Kentucky utilities.

Local leaders anticipate 450 permanent jobs — 350 involved in mining. Building the plant would employ 2,500 workers during a four-year construction. The permanent jobs would pay

an average of \$65,000 a year in wages and benefits, said Vic Svec, vice president of external affairs for Peabody Energy.

In addition to the Natural Resources Defense Council, critics of the proposal include officials at nearby Mammoth Cave, the Washington D.C.-based National Parks Conservation Association and

Valley Watch Inc. of Evansville,

The U.S. Environmental Protection Agency also has raised concerns.

At issue is a Clean Air Act mandate that new power plants use the "best available control technology" for reducing emissions that contribute to smog and cause acid rain.

But some of the strongest environmental concerns involve Mammoth Cave, whose officials already have succeeded in getting the company to add such controls as scrubbers and precipitators to remove sulfur and tiny pieces of soot and other fine pollution particles.

Park officials argue that the state has not adequately studied all of the plant's potential adverse affects, including declining visibility, said Mark DePoy, chief of science and resource management at the park.

Under the law, national parks are designated as Class I airsheds and thus are supposed to have the cleanest air in the country.

When National Park Service experts ran the plant's proposed emissions through a computer model, they found they would impair visibility within the 52,800-acre park by at least 5 percent for 23 days a year, and 10 percent on two days a year.

But the company projected a 5 percent impairment of visibili-

ty for 16 days, and no impairment of 10 percent or more. The state concluded that Peabody's numbers are acceptable.

PADUCAH SUN

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and a coal mine along with it. Evansville, ind. The U.S. Environmental Proproduced since 1989.

Peabody Energy plant has outside f

outside environmentalists have plenty of objections. **E Few people** near the Muhlenberg County site oppose the plan, but

CENTRAL CITY, Ky.

power plant in Muhlenberg County is drawing attention outside the western Kentucky county's An energy giant's plans to build a 1,500-megawatt, coal-fired boundaries.

Park.

Peabody Energy's plant would consume 6 million tons of coal a If approved, St. Louis-based year - more than the county has

People's succession of the plant of the plan dent of external affairs for benefits, said Vic Svec, vice presiage of \$65,000 a year in wages and to raise a laundry list of concerns about Peabody's plan, including that its plant may spread haze across Mammoth Cave National

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February 10, 2002

SUNDAY GAZETTE-MAIL

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Plant may be built near Mammoth Cave

By Michael Kilian

35-35

Chicago Tribune

WASHINGTON—The Bush administration's plans to reduce power plant pollution in national parks are being challenged by a proposal to build a large coalfired generating plant in Kentucky just 50 miles from Mammoth Cave National Park.

The Kentucky Division of Air Quality has given preliminary approval to the project. Called the Thoroughbred Generating Station, it is to be built and operated by Peabody Energy Corp., the world's largest privately owned coal company.

A public hearing on the project will be held Tuesday at Powderly, Ky. The state last week extended the period for public comment on the issue until Feb. 28.

Neither the National Park Service nor the Environmental Protection Agency has submitted final comments and findings. If the Interior Department files a formal complaint that the plant will have adverse impact on Mammoth Cave park, the state can dispute these findings and proceed with a permit for the project. At that point, Interior Secretary Gale Norton would have to take the case to the federal courts.

Kentucky now has 22 requests pending for new power plants so many that it has declared a Opponents of the Thoroughbred Generating Station charge that, even if it complies with EPA regulations, it will still obscure visibility at the Mammoth Cave Park as many as 25 days a year.

moratorium on accepting any

"Mammoth Cave is already one of the most polluted parks in the country," said National Parks Conservation Association President Thomas Kiernan. "Problems with haze, smog and acid deposition at Mammoth rival those at Shenandoah and Great Smoky Mountains National Parks."

In June, Environmental Protection Agency chief Christine Todd Whitman signed a new rule calling for marked reductions in air pollution at national parks. Among other provisions, it required some 600 coal-fired power plants built between 1962 and 1977 to be refitted with emission control equipment that would reduce sulfur dioxide pollution by 90 to 95 percent.

The administration was acting in response to complaints from Sen. Fred Thompson, R-Tenn., and National Park Service officials that electrical generating plants had made air quality at Tennessee's Great Smoky Mountains National Park worse than that of Manhattan.

"Over the years, haze and pollution have eroded [park] views," Whitman said. "We intend to clear that air. This rule will help ensure that people will be able to see and appreciate these national treasures

for many years to come."

According to an Izaak Walton
League report, air quality in the
Smokies violates federal health
standards one out of every three
days, and Shenandoah National
Park in Virginia had recorded
higher ozone concentrations than
all but two southeastern cities.

Opponents of the Thoroughbred plant charge that, even if it complies with EPA regulations, it will still obscure visibility at the Mammoth Cave Park as many as 25 days a year.

25 days a year.
Peabody's proposed Thoroughbred Generating Station would use modern emission control equipment required by the EPA, but it would nevertheless be adding pollutants to the air in an area already inundated with them, said Don Barger, the NPCA's southeast regional director.

"Clearly, this plant would make a bad situation worse at Mammoth Cave," Barger said. "We're concerned that Kentucky is on a fast track to permit the state's largest power plant in 20 years while turning a blind eye to its effect on a federally protected area."

Peabody said the plant will be "the cleanest major coal-based power plant east of the Mississippi River"

sippi River."
"We look forward to continuing to work with Kentucky to move the project forward and enable its economy and people to continue to enjoy the security of energy that is reliable, low in costs and low in emissions," said Roger Walcott, Peabody's executive vice president for corporate development.

In a letter to Kentucky's Division of Air Quality last year before the Peabody project was given its preliminary approval, the National Park Service acknowledged Peabody's "efforts to install the best technology" and keep emissions within federal limits, but it called for additional controls that would reduce particulate pollutants to one tenth of allowed levels "because of the extremely high emission rates and proximity to Mammoth Cave National Park."

An analysis by the National Park Service's Air Resources Division warned that the coal to be used by the Thoroughbred facility had unusually high sulfur

content

February 7, 2002

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68 INFORMATION SERVICES A

Valley Watch slams issuing of draft permit to power plant

By JUDY DAVIS Courier & Press staff 3535

EVANSVILLE — Objections and accusations are flying over a draft permit issued by the state of Kentucky to Peabody Energy for a coal-fired power plant in Muhlenberg County.

John Blair, speaking for the environmental group Valley Watch, said the state violated its own rules by issuing the draft permit. Procedural rules, he claims, require specific content in the permit and also must allow time for people to comment on the permit. That did not happen, Blair alleges.

"We're not operating under the rule of law," said Blair. "We're operating under the rule of political connections, at least in Kentucky."

Ben Markin, permit writer with Division of Air Quality, said he followed all procedural requirements.

"There is nothing unusual about this permit," he said. "People can come to the public hearing or express comments in writing. That is why we have the comment period."

Markin also said the comment period had been extended two weeks, until Feb. 28. The extension, he said, will be announced at the public hearing Tuesday at the Muhlenberg County Courthouse.

"The hearing is premature," said Blair, "because the National Park Service has adverse comments and those comments, along with the state's response to them, are supposed to be included in the draft, so others can review them and add comments."

The NPS, through the Department of the Interior, objected to the permit being issued, using Kentucky's own regulations as a reason.

The letter, sent Jan. 31 by the Office of the Solicitor, said states regulations allow federal land managers 30 days after a preliminary determination to submit a visibility analysis if emissions from the source would have an adverse impact on a Class 1 area, such as Mammoth Cave. It would be affected by emissions if the permit is granted, according to Chris Shaver, chief of National Park Service Air Resources Division.

"We were notified in December," last year," Shaver said. "As of April, we were raising concerns. We've been working with the state to get them to reduce emissions, which they have done, to some degree.

"They did a visibility impact analysis where we thought there were some questionable findings."
We used a different model.

"We're looking at 23 days of visibility impairment — a change in light extinction — just from the plant. We've identified about 'a dozen endangered species at the park that would also be adversely affected by changes in air quality from the planned emissions."

Blair said the coal plant, proposed for Muhlenberg County, was the largest proposed in at least 20 years.

"The application is just riddled with holes," he said. "They didn't do an analysis for ozone impact downwind — Evansville, Louisville, Perry County, Ind., whichever way the wind is blowing."

February 6, 2002

Coal Trader, 2/6/02

Thoroughbred permitting arouses ire

n environmental group has promised to oppose permitting for **Peabody Energy**'s 1,500 megawatt, pulverizedcoal Thoroughbred power plant unless environmentally beneficial changes are made to the plant design.

The state of Kentucky has already approved a draft permit for the project (CO 1/14).

The National Parks Conservation Association said the minemouth plant "may release thousands of tons of haze- and smog-forming pollutants yearly, threatening human health and nearby Mammoth Cave National Park."

The data show that the plant will be responsible for 25 days over the 5% extinction of light threshold at the national park,

an NPCA official said.

When the plant and 58 other pollution sources within a 100-kilometer radius of the park are considered, one out of three days is over the 5% threshold, the official said.

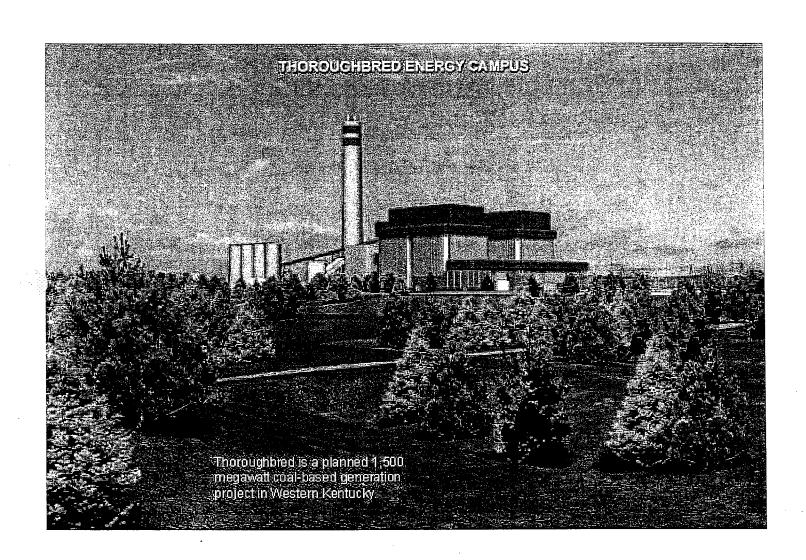
"That does constitute an adverse effect on the park, and consequentially, the state of Kentucky should deny this permit," the official said.

Further, he said, Thoroughbred won't consider other technologies, such as fluidized-bed combustion or washing the coal, because generating efficiency would be reduced at the same time emissions are, the NPCA official said.

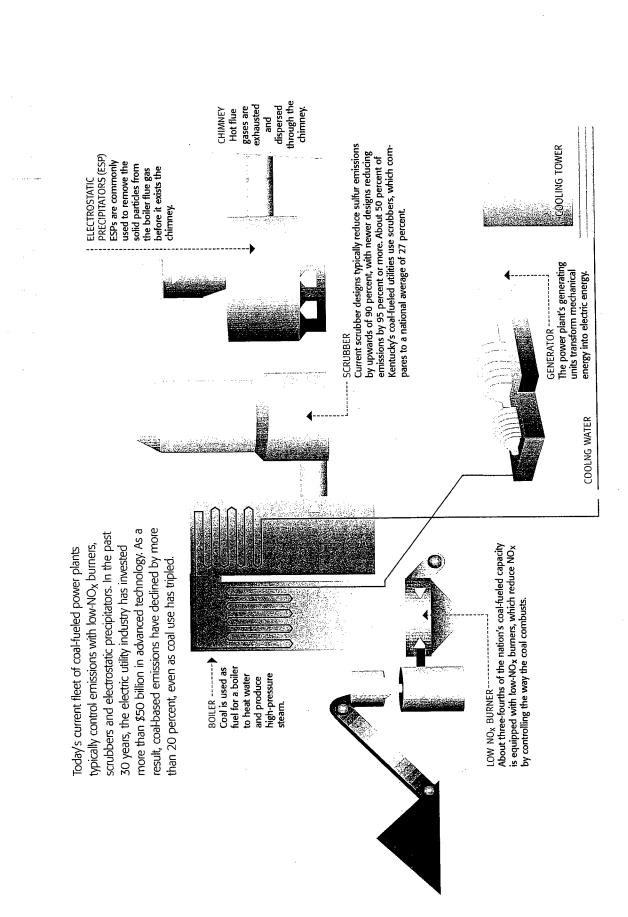
A Peabody official did not respond to the charges by press time.

Thoroughbred Handouts

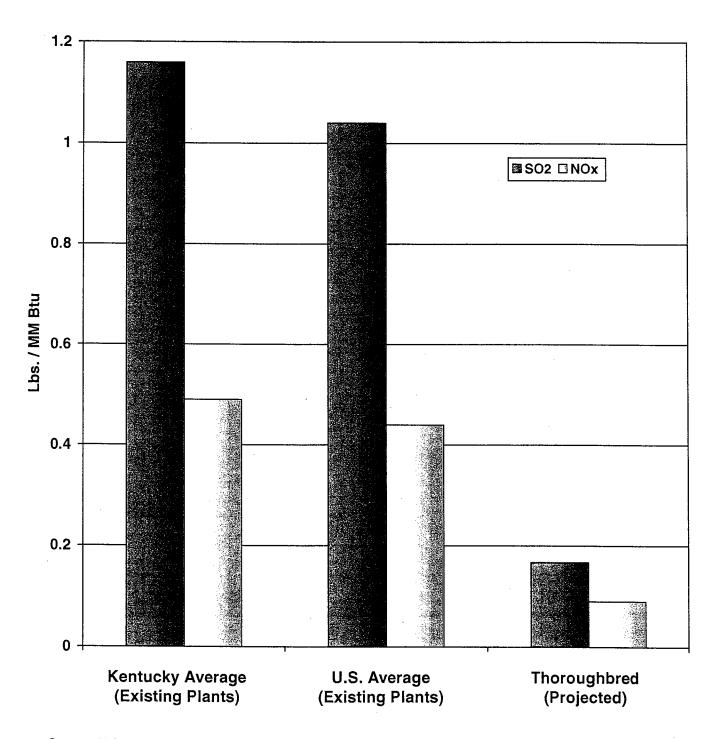
February 5, 2002



The only visible harmless steam system, commonly known as "scrubbers." The system emissions are Cleaned flue emitted from the chimney. Sulfur dioxide emissions from Thoroughbred will be CHIMNEY gases are minimized by an advanced flue gas desulfurization works by injecting a limestone slurry into the flue Scrubbing is also a system for controlling mercury. gas where it reacts to capture or "scrub" the SO2. COOLING TOWER into a wet ESP, which will remove fine partic-WET ELECTROSTATIC PRECIPITATORS (ESP) multiple high-voltage fields to attract the par-Flue gas will pass through the wet scrubber units will transform mechanical energy into enough ulates and other constituents. Wet ESPs use ticles to an electrode, which is then washed SO₂ SCRUBBERS attached to a shaft that is rotated by steam, converting the kinetic energy of the steam into mechanical energy. Thoroughbred's two, 750-megawatt generating with water to capture the constituents. The plant's turbines will consist of fan-type blades electricity to serve 1.5 million households. STEAM GENERATOR boiler flue gas in addition to some mercury. The dry ESP uses electrodes to place an electric charge on the fly ash particles, which can then be collected on an oppositely charged plate. The dry ESP will be used to remove particulates from the TURBINE DRY ELECTROSTATIC PRECIPITATORS (ESP) controls place Thoroughbred among a new generation of coal-based power plants that balance COOLNG WATER Thoroughbred's emissions of sulfur dioxide (SO₂) will be 86 percent below the average SO₂ Thoroughbred Energy is modeled to be the cleanest pulverized coal plant of its size east of emission rate for Kentucky coal plants. Its nitrous oxide (NO_X) emissions will be 82 percent below the Kentucky coal plant average. And virtually all particulates will be removed. These he Mississippi river, using an industry-leading application of environmental technologies. Within the boiler, low-NO_x burners impede the formation of nitrogen oxides by lowering the temperature of the fame to control the way coal combusts. the nation's energy needs with environmental goals. LOW-NO_X BURNERS PULVERIZED COAL TECHNOLOGY ---modern pulverized coal technology where coal is ground to the consistency of talcum powder and used and produce high-pressure steam. as fuel for a boiler to heat water Thoroughbred Energy will use gas and water.



2000 Average Coal-Based Emissions



Source: U.S. Environmental Protection Agency

KEY FACTS

About Thoroughbred Energy Campus

Thoroughbred Energy Campus is a planned 1,500 megawatt coal-fueled electricity generation project near Central City in Muhlenberg County, Kentucky. The generating plant would use two, 750-megawatt units fueled by up to 6 million tons of coal per year produced from an adjacent underground mine.

Fueled by a secure source of domestic energy, Thoroughbred will deliver reliable, low-emissions electricity while providing significant economic benefits and hundreds of high-paying jobs. Peabody is pursuing generation development projects nationwide using the company's coal reserves and land holdings; a sister project called Prairie State Energy Campus is also being developed in southern Illinois.

The project is expected to deliver reliable electricity by 2005 to 2007. Electricity from the plant will be made available on the grid and delivered to approximately 1.5 million families in Kentucky and elsewhere throughout the Midwest.

Energy: Low-Cost Power to Meet Growing Needs

In 2000, the nation's need for electricity grew nearly 5 percent, according to the Edison Electric Institute. And the U.S. Energy Information Administration reports that the demand for electricity will increase 43 percent nationwide over the next two decades. In Kentucky, the demand for power could potentially grow 30 percent during that time.

Thoroughbred will provide reliable, low-cost electricity for 1.5 million homes in a manner that is environmentally sound. The plant is modeled to dispatch at a cost that is lower than all of the region's coal plants, lower than all of the region's gas plants and below some nuclear plants. This means Thoroughbred will benefit Kentuckians by continuing to help keep energy prices low.

Kentucky enjoys electricity costs that average 4.2 cents per kilowatt hour, which are among the lowest rates in the nation. About 96 percent of Kentucky's electricity comes from coal.

Economics: Jobs and Prosperity for Western Kentucky

Thoroughbred is expected to accelerate economic growth in the region, creating more than 450 permanent jobs and employing up to 2,500 workers during a four-year construction process. Once operational, the campus could annually inject more than \$60 million in local and state economic benefits through wages, fringes and taxes. Use of the Commonwealth's tax credit for Kentucky coal also will enhance the facility's low-cost advantage.

Environment: High Efficiency, Low Emissions

Electricity from coal has made enormous environmental progress in recent years. Through more than \$50 billion in investments over the past three decades, emissions from coalfueled electricity have declined by more than 20 percent, even as coal use has tripled, according to the U.S. Environmental Protection Agency. And results for Kentucky are equally strong: In the past 20 years, sulfur dioxide emissions have been slashed by nearly half. Almost 50 percent of Kentucky's utilities use scrubbers, compared to the national average of 27 percent.

An industry-leading application of coal technologies will set a new emission control standard at Thoroughbred, making it the cleanest pulverized coal plant of its size east of the Mississippi River. Thoroughbred's emissions of sulfur dioxide (SO2) will be 86 percent below the average SO2 emissions rate for Kentucky coal plants. Its nitrous oxide (NOx) emissions rate will be 82 percent below the Kentucky coal plant average. And, virtually all particulates will be removed.

Thoroughbred and Prairie State are among a new generation of coal-fueled power plants designed to provide low-cost energy to meet growing energy needs while continuing to achieve the nation's environmental goals.

2.1.02

February 5, 2002

News Stream, 2/5/02

COAL FIRED PLANT SAYS THREAT TO MAMMOTH CAVE NATIONAL PARK

LOUISVILLE, KY - - - The State of Kentucky has issued a draft permit for a 1,500 megawatt, pulverized-coal-fired power plant that may release thousands of tons of haze- and smog-forming pollutants yearly, threatening human health and

nearby Mammoth Cave National Park, according to the National Parks Conservation Association (NPCA). The proposed Peabody Energy Company Thoroughbred Generating Station would be built just 50 miles from the park.

"Mammoth Cave is already one of the most polluted parks in the country," NPCA President Thomas Kiernan said. "Problems with haze, smog, and acid deposition at Mammoth rival those at Shenandoah and Great Smoky Mountains national parks."

If the state approves the current permit, emissions from the Thoroughbred power plant will have a significant impact on Mammoth Cave. Computer models indicate that emissions from this facility are likely to reduce scenic views up to 25 days yearly. Three out of every four visitors at Mammoth Cave never venture into the depths of the world-renowned cave system, but enjoy hiking to scenic overlooks. Thoroughbred would become Kentucky's fourth-largest producer of mercury. Toxic pollutants could harm the park's biologically diverse aquatic ecosystems, including the Green River, home to more than 80 species of fish and sensitive mussels.

"Clearly this plant would make a bad situation worse at Mammoth Cave," said Don Barger, NPCA's Southeast Senior Regional Director. "We're concerned that Kentucky is on a fast track to permit the state's largest power plant in 20 years while turning a blind eye to its effect on a federally protected area. It is the state's legal responsibility to protect the public and the parks from this pollution."

The Thoroughbred Generating Station would be located in Muhlenburg County, where the Paradise Steam Plant, Tennessee Valley Authority's second-largest coal-fired power plant, has operated for more than 30 years. Despite addition of pollution control equipment on two of the plant's three units, the Paradise plant continues to produce thousands of tons of pollution yearly.

"This is a clear case where the oldest, dirtiest coal-fired power plants emit far more than their fair share of pollution," Barger said.

"Instead of new sources replacing old, these older plants never retire, and the bottom line is more pollution hurting parks and people. This can have a drastic effect not only on our parks but also on health standards that states must meet."

The Thoroughbred power plant is the first and largest of 22 facilities seeking to locate across Kentucky. Inundated by so many requests, Governor Paul Patton issued a moratorium last June requesting that the state stop receiving applications. Kentucky is only one of several states grappling with a flood of new sources. Tennessee has 19 permits pending, Virginia approximately 30. "Clearly, existing laws and regulations are not blocking the development of new sources," Kiernan said.

As the nation debates energy policy, the Bush Administration is mulling changes that could rollback key provisions of the Clean Air Act, including the New Source Review program, designed to reduce pollution at new and modified industrial plants. The polluted conditions at Mammoth Cave National Park and in many communities throughout the United States highlight the need for cleaner, more efficient power production.

"Protecting national parks from air pollution seems to be missing from the Bush Administration's energy plan," said Barger. "Weakening the Clean Air Act won't clean up the air in national parks." (NPCA)



Beth Sutton

02/05/2002 12:50 PM

To: bashley@messenger-inquirer.com, DBlackburn@Messenger-Inquirer.com

cc: (bcc: Cindy Miller/STL/Peabody)

M Subject: Letter to the editor

Mr. Ashley:

The following letter to the editor is being sent for your consideration on behalf of Roger Walcott, Peabody's Executive Vice President for Corporate Development.

Thank you.

Beth Sutton 928-525-3168

Owensboro Messenger-Inquirer "Letters to the Editor"

Via Email

Dear Editor:

A recent article in the Courier Press featured alarmist views about Peabody Energy's proposed Thoroughbred Energy Campus in Muhlenberg County with no attempt to balance the discussion or explore the plant's extensive system of environmental controls.

Thoroughbred Energy is modeled to be the cleanest pulverized coal plant of its size east of the Mississippi River. Thoroughbred's emissions of sulfur dioxide (SO2) will be 86 percent below the average SO2 emissions rate for Kentucky coal plants. Its nitrous oxide (NOx) emissions rate will be 82 percent below the Kentucky coal plant average. And, virtually all particulates will be removed. In fact, these benchmarks are ahead of their time, meeting the U.S. Environmental Protection Agency's proposed new air quality targets that would take effect more than a decade into the future.

Thoroughbred will provide reliable, low-cost electricity for 1.5 million homes in a manner that is environmentally sound. The plant is modeled to dispatch at a cost that is lower than all of the region's coal plants, all of the region's gas plants and below some nuclear plants. This means Thoroughbred will benefit Kentuckians by continuing to help keep energy prices lower than anywhere else in the nation. At the same time, the facility is expected to accelerate economic growth, creating more than 450 permanent high-paying jobs and employing up to 2,500 workers at peak construction. Once on-line, the campus could annually inject more than \$60 million in local and state economic benefits through wages, benefits and taxes.

Developing the Thoroughbred Generating Station is in the public interest. The facility represents a new generation of coal-fueled power plants designed to provide low-cost electricity to meet growing energy needs while continuing to achieve the nation's environmental goals.

Sincerely,

Roger Walcott Jr.
Peabody Energy
Executive Vice President
Corporate Development



Beth Sutton

To: eccweb@evansville.net

cc: (bcc: Cindy Miller/STL/Peabody)

02/05/2002 12:46 PM

Subject: Letter to the editor

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Via Email

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Sincerely,

Roger Walcott Jr.
Peabody Energy
Executive Vice President
Corporate Development

February 4, 2002

Largest Coal Plant in 20 Years Threatens Mammoth Cave National Park; Clean Air Act Does Not Impede Development of Energy Sources Monday, February 4, 2002 06:25:12 PM - US Newswire

LOUISVILLE, Ky., Feb 4, 2002 (U.S. Newswire via COMTEX) -- The State of Kentucky has issued a draft permit for a 1,500 megawatt, pulverized-coal-fired power plant that may release thousands of tons of haze- and smog-forming pollutants yearly, threatening human health and nearby Mammoth Cave National Park, according to the National Parks Conservation Association (NPCA). The proposed Peabody Energy Company Thoroughbred Generating Station would be built just 50 miles from the park.

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As the nation debates energy policy, the Bush Administration is mulling changes that could rollback key provisions of the Clean Air Act, including the New Source Review program, designed to reduce pollution at new and modified industrial plants. The polluted conditions at Mammoth Cave National Park and in many communities throughout the United States highlight the need for cleaner, more efficient power production.

"Protecting national parks from air pollution seems to be missing from the Bush Administration's energy plan," said Barger. "Weakening the Clean Air Act won't clean up the air in national parks."

NPCA — Protecting Parks for Future Generations Founded in 1919, the National Parks Conservation Association is America's only private, nonprofit advocacy organization dedicated solely to protecting, preserving, and enhancing the National Park System. NPCA has more than 425,000 members. A library of national park information, including fact sheets, congressional testimony, position statements, and press releases, can be found on NPCA's Web site at www.eparks.org/media_center.

CONTACT:

Don Barger, 865-803-4480 (Southeast region)

Joy Oakes, 202-454-3386 (Mid-Atlantic region)

both of the National Parks Conservation Associatio

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SUBJECT CODE: ENVIRONMENT

KENTUCKY

GOVERNMENT

ENERGY POLICY www.usnewswire.com

February 3, 2002

Louisville Courier-Journal Sunday, February 03, 2002 Louisville, KY

Centucky power plant worries some in Indiana

Associated Press

said the review is necessary because of Evansville. City, Ky., about 50 miles southeast Southern Indiana has worked for of Evansville. a proposed coal-burning power plant in Western Kentucky would have on EVANSVILLE, Ind. — An Indiana egislator has asked state environnental officials to review the impact

uality

Joanne Alexandrovich, ozone officer for the Vanderburgh County ([nd.] Health Department, said coalburing plants. such as Peabody's will undo southwestern Indiana's efect forts to improve air quality. quest are obvious." Avery wrote in a letter he sent to Lori Kaplan, commissioner of the Indiana Department of Environmental Management.

Peabody. Energy has proposed building the Thoroughbred Generaling Station, a 1,500-megawatt coal-

ears to improve the region's air ... It would be the largest convenuality,
"I believe the reasons for this re- in 20 years in the United States.

chief of air permits, state Rep. Jona-

ask the state to become involved.
According to Paul Dubenetzky,

asked the agency to review the project. Weinzapfel is chairman of the House Environment Committee. In Kentucky, similar concerns have been raised in the past about pollution from PSI Energy's Gallagher Plant just across the Ohio River from western Louisville.

Avery, who cited Alexandrovich's comments as support in his letter to

Indiana's environmental-manage-ment agency likely will file written by the Friday deadline set by Ken comments on the Peabody proposal tucky's Division for Air Quality Kaplan, is not the first legislator to the Indiana environmental agency's than Weinzapfel. D-Evansville, also

March 28, 2002

Secondary Increases Float, Diversifies Ownership

Overview of Secondary Offering

- On April 9, completed 9 million share secondary stock offering
- Offering well received by investment community
- Indicated demand for 25 million shares
- Aided Lehman Brothers Merchant Banking Partners II Fund in exit strategy
- Reduced ownership from 59% to 41%
- Publicly traded float more than doubled, to 50%+
- Offering helps us control our own destiny

The Courier Journal, 3/28/02

By Tom Loftus tloftus@courier-journal.com The Courier-Journal

FRANKFORT, Ky. -- A senator who said he wouldn't allow a hearing on a bill to let local planning commissions control where cellular telephone towers are built has offered a way to revive it.

Sen. Ernie Harris, R-Crestwood, said in a Senate floor speech yesterday that he would welcome the House adding the cell-tower provision to his bill regulating the location of power plants. The power-plant bill awaits a House vote, and Harris acknowledged that his offer to include cell towers might help it get one.

''It was never my intention to kill the bill'' on cell towers, Harris told the Senate. He said it arrived too late from the House for consideration by the Senate Agriculture and Natural Resources Committee, which he heads.

House Majority Floor Leader Greg Stumbo, who controls the flow of legislation in the House, was coy in responding to questions about calling Harris' bill for a vote. ''Nobody in my district is much concerned about that,'' Stumbo said.

But the sponsor of the cell-tower bill, Rep. Steve Riggs, D-Jeffersontown, laid the groundwork for reviving it by filing a floor amendment yesterday to attach his bill to the Harris bill.

''We have a shot at reviving my bill now that Senator Harris has had a change of heart,'' Riggs said. ''That power-plant bill is very important to him.''

Riggs said he hoped Stumbo would call Harris' bill today, when he would try to attach his amendment, but he was not sure it would happen.

Riggs' bill would remove authority for final approval of the location of cell towers from the Kentucky Public Service Commission and give it to local planning and zoning commissions.

Supporters of the bill point to the cell tower built along Interstate 64 at Cannons Lane in Louisville, where city-county Planning Commission disapproval was later reversed by the Public Service Commission.

Meanwhile, the leading House proponent of the bill to regulate the location of power plants said the current version of Harris' bill is flawed.

After amendments by a House committee on Tuesday, the bill would allow the Public Service Commission to assess utility plant sites and order a utility to take steps to mitigate a plant's effects on neighbors. But the commission could not veto a site, said Rep. Jon Draud, R-Crestview Hills, who has long advocated controls on the location of power plants.

Officials of the Public Service Commission say the no-veto clause would allow Cincinnati-based Cinergy Corp. to build the proposed gas-fired electric generator in Northern Kentucky that got Draud involved in the issue. The plant would be built near a nursing home where Draud's mother lives.

Draud said the Public Service Commission wants him to try to get the House to remove the no-veto clause.

Staff writer Al Cross and The Associated Press contributed to this story.



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Norld Wide Web Edition

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PRIMEDIA Business Magazines & Media Inc. (March 28, 2002)

Peabody Energy expects to learn by late-April whether the Kentucky Division of Air Quality will issue a final air permit for a 1.500-megawatt coal-fired power plant the company wants to build near Central City.

If most local residents have their way, Peabody will get the coveted permit for its so-called Thoroughbred Energy Campus, a nearly \$2 billion project that would consist of an electric generating station and nearby underground coal mine that would supply about 6 million tons of high-sulfur coal annually to the plant.

It is estimated that Thoroughbred would begin generating power between 2005 and 2007, providing enough electricity for approximately 1.5 million families.

On the eve of a Feb. 12 Division of Air Quality public hearing on a draft air permit issued by the agency in January. Peabody released results of an independent economic study that concluded Thoroughbred Energy Campus would inject \$3.35 billion into the Kentucky economy in new spending, job creation, and induced economic activity during the approximately 40-year life of the project.

Inspired by those figures, more than 200 people turned out for the hearing, and support for the project was almost unanimous. Some outspoken environmentalists stayed away, preferring to couch their opposition to Thoroughbred in written comments to the Division of Air Quality. Other skeptics, including the Indiana Department of Environmental Management, also submitted written comments to the agency reflecting concerns about the potential for increased air pollution.

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March 27, 2002

Wednesday, March 27, 2002

Bill exempts some utilities from controls

By Charles Wolfe The Courier-Journal

FRANKFORT, Ky. -- Legislation to control where ''merchant'' power plants can be built contains exemptions for utilities already regulated by the Kentucky Public Service Commission.

Officials of those utilities -- the ''regulateds'' -- fought to avoid coming under the eye of a proposed state board that would have to review and approve sites for new power plants.

Legislation to that effect cleared a House committee yesterday. The bill's sponsor, Sen. Ernie Harris, said the exemption was justified for the same reason that regulated utilities are exempted from local planning and zoning laws.

''They serve a public need to get electricity to every nook and cranny,'' Harris, R-Crestwood, told the Local Government Committee.

In contrast, merchant plants are unregulated because they sell electricity on the open market, often to users in other states. The state is holding up applications for permits for 29 generating plants, all but four of which would be merchant plants.

Under Harris' bill, the commission would assess utility-plant sites and could order steps taken to mitigate a plant's effects on neighbors. But the commission could not veto a site. Nor would it evaluate a utility plant's environmental effects -- a job for the Natural Resources Cabinet.

The exemption was of particular interest to East Kentucky Power Co., which plans to build a coal-fired generator on the site of two existing generators near Maysville. Construction cannot begin until Gov. Paul Patton's moratorium on new plants is lifted or expires in July. But the company already has gone through the regulatory approval process.

Harris' bill represented a compromise. It contained elements of a House-passed bill sponsored by Rep. Jon Draud, who took up the issue last year because a company planned a merchant plant near his mother's nursing home in Northern Kentucky.

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Merchant Power Bill Headed to Kentucky House

Source: Knight Ridder/Tribune Business News Publication date: 2002-03-27

Mar. 27--FRANKFORT, Ky.--Two legislators who have competing bills on regulating merchant power plants reached a compromise and won passage Tuesday from the House Local Government Committee.

The bill now goes to the House for a vote.

Tuesday's hearing came on the heels of nearly an hour and a half of testimony Monday on the role a new siting board should play in determining the locations of new plants that generate electricity to sell on the open market.

"Sen. (Ernie) Harris and I worked together and were able to agree on all the issues," said Rep. Jon Draud, a Crestview Hills Republican.

One major compromise for Draud is that utilities regulated by the Public Service Commission would not come under the new siting board. In his bill, they would have.

The state has 29 applications from companies proposing to build merchant plants.

In Muhlenberg County, **Peabody Energy announced a year ago it would build a 1,500-megawatt-capacity merchant power plant on the Green River near Central City. Last month, about 200 people attended a hearing on the Thoroughbred Energy project's application for a tentative air quality permit.

All companies that have not started construction would fall under the new board's regulation if the bill passes.

Other highlights of the bill:

--Utilities and merchants would have to show a proposed plant's "cumulative effect" on the environment. That reflects an argument by environmentalists that plant projects should be assessed for collective effect, not individual effect. Merchant plants already under construction would be exempted, as would utility projects certified by the PSC by April 15.

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Peabody Energy Comoration

--No exemption for "co-generators," which use waste steam from manufacturing plants to make electricity. Two such projects are proposed in Marshall County, prompting opposition to the bill by the county's representative, Democrat J.R. Gray of Benton. Gray said it was unfair to be "changing the rules in the middle of the game."

--Site assessments required of merchant plants would have to include a plant's potential effect on the value of adjacent property. That was a weakening of the original bill, which would have required an assessment of how the value of all property in the vicinity would be affected.

--Plants would have to be at least 1,000 feet from the boundary of an adjoining property owner and 2,000 feet from residential neighborhoods, schools, hospitals and nursing homes. The required "setback" would be only 400 feet for a plant located on a river and using "clean coal technology" -- an exception specifically tailored to a Calla Energy Partners project in Estill County. It would burn waste coal at a former Kentucky River loading facility of the defunct Southeast Coal Co.

Gray cast the lone no vote on the bill (15-1).

"Within my district the facilities there have already jumped through a number of hoops to have a cogenerating plant," Gray said. "This sends a bad signal to industries that might be looking at us to locate here."

To see more of the Messenger-Inquirer, or to subscribe to the newspaper, go to http://www.messenger-inquirer.com

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March 25, 2002









25 March 2002

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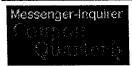
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New power plant bill on track for passage

25 March 2002

By Joy Campbell Messenger-Inquirer

FRANKFORT -- A Senate bill that would regulate new electric generating plants built in Kentucky to sell power on the open market will get a hearing today in the House Local Government Committee. The bill is on track to become law, but likely will be worked out in a conference committee, legislators say.

"In essence, this bill says if you want to build a merchant plant in Kentucky, you must go by these rules," said Sen. Ernie Harris, a Crestwood Republican who is the primary sponsor of this version. "And if a co-op or other power plant regulated by the PSC (Public Service Commission) wants to build a merchant plant, they also have to go through this process."

Kentucky does not have an oversight board for these utilities. Concern arose last year when 29 companies applied to build facilities called merchant power plants, prompting Gov. Paul Patton to order a moratorium on their construction.

The utilities must receive their construction permits before building can begin. Harris said the legislation would capture all but eight of the 29 plants that have applied. Others have already begun construction.

The bill contains the same structure as a similar bill filed in the House by Rep. Jon Draud, a Crestview Hills Republican. That bill cleared the House, but it has been stalled in the Senate Agriculture and Natural Resources Committee since Feb. 28.

Draud said he worked on the legislation for 18 months.

Oftentimes duplicate bills run on parallel tracks in each chamber. And sometimes bills are grabbed by other legislators who have an interest in the issue. Then it becomes a race to see who can get the bill passed. This practice has legislators feuding over who gets credit.

"They (Senate) should have put a committee substitute on my bill," Draud said Thursday.

Senate Floor Leader Dan Kelly, a Springfield Republican, said Friday that it could have been accomplished in that manner, but Harris had a lot of ownership of the Senate version and wanted to further his own bill.

Bracket Magic

"I just want to get a bill that's good for Kentucky," Draud said. "It would be terrible to go away next Friday without a bill."

In Draud's district, a merchant power plant was proposing to locate within 800 feet of a nursing home.

Locally, Peabody Energy is planning to build a 1,500-megawatt-capacity merchant power plant on the Green River near Central City. Last month, about 200 people attended a hearing on the Thoroughbred Energy project's application for a tentative air quality permit.

The Peabody plant has not begun construction and likely would fall under the new guidelines.

Rep. Brent Yonts said Thursday he has not read the Senate bill. He voted for Draud's House Bill 540 when it passed the House.

"I haven't looked at it, but if it's taking ours and stripping it, it will never see the light of day on the floor," Yonts said.

What Senate Bill 257 would do

Here are the major components of the bill.

- -- Create the Kentucky State Board on Electric Generation and Transmission Siting and the Environment.
- -- Defines commence to construct. "This means the plant must have cleared the land, poured concrete or footers or clearly started construction," Harris said. "If they have turned a spade of dirt or knocked down trees, that doesn't count."
- -- Requires various permits. "For the first time, we're not just requiring plants to get their air, water and waste permits," Harris said. "We're requiring a certificate of environmental compatibility, which requires an analysis of the effects on the region so that we know how the plant's emissions could affect future economic development."

Harris said the certificate of compatibility is probably the most important difference in the two bills.

Back to top

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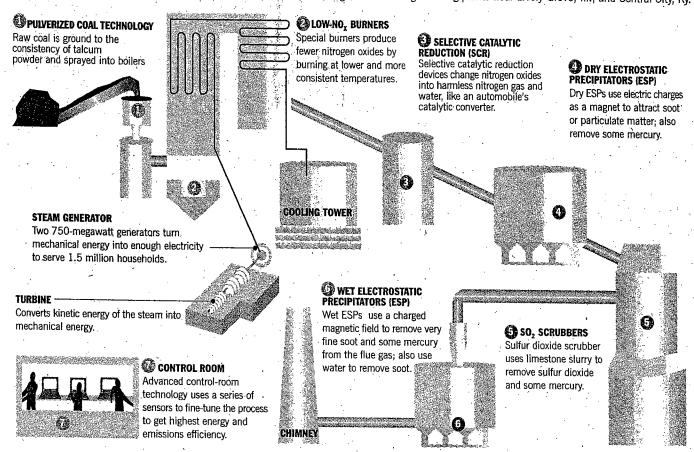
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March 24, 2002

New generation of coal-based power plants

Peabody's clean-coal technology plans for its two proposed 1,500 megawatt electric generating plants near Lively Grove, Ill., and Central City, Ky.



Upping the sulfur also ups the ante in energy wars

St. Louis Post-Dispatch, 3/24/02

Peabody coal-fired power plants in Illinois and Kentucky await approval and face environmental hurdles.

By REPPS HUDSON Of the Post-Dispatch

n four to five years, if Peabody Energy of St. Louis wins regulatory approval, two of the nation's biggest power plants will be generating electricity by burning once-shunned, high-sulfur coal from the Illinois Basin.

The new plants, one in Illinois and one in Kentucky, would lead the way toward an energy future based on burning high-sulfur coal, say senior executives of Peabody, the world's biggest coal company. The plants also would be among the nation's cleanest, emitting relatively small amounts of pollutants for the quantity of coal — 6 million tons a year — burned at each plant.

Besides helping to meet the nation's growing appetite for electricity, giving the energy-rich coal fields new life could boost the economies of Southern Illinois and western Kentucky. The annual payroll for each plant is estimated at \$35 million. And hundreds of construction workers — 2,500 at the peak — would spend years building the plants, valued at \$2 billion each.

Peabody estimates the economic impact at \$35 billion for each plant over 40 to 50 years of operation.

Arch Coal Inc. of Creve Coeur, with



POST-DISPATCH

300 million tons of reserves in Illinois, also is considering a mine-mouth generating plant that would use coal mined on-site to produce electricity near Pinckneyville.

Illinois has at least 180 billion tons of coal reserves, of which 30 billion to 40 billion tons are recoverable with today's mining technology.

"Illinois is the Saudi Arabia of coal," Taylor Pensoneau, president of the Illinois Coal Association, likes to say.

That means economic growth for the state — provided its coal can be burned in ways that meet clean air standards. And that's what Peabody says it will do.

Company officials say that thanks to a unique combination of technologies,

emissions from the two massive plants, one about 50 miles southeast of St. Louis, would be cleaner than President George W. Bush's proposed, voluntary Clean Skies plan. What they don't talk about as readily are emissions of carbon dioxide, a leading greenhouse gas, and still unregulated heavy metals, such as mercury and beryllium.

As Peabody readies its plans to build the power plants near Central City, Ky., and Lively Grove, Ill., the debate over the benefits and costs of redeveloping high-sulfur Illinois Basin coal has heated up.

"The impact of these plants is so large," said John Thompson, a chemical engineer with the Clean Air Task Force, whose office is in Carbondale, the heart of Illinois coal country. "We are subsidizing coal with our health."

Sparking a renaissance

Because the federal Clean Air Act tightly limits some emissions from coal-fired plants, demand for high-sulfur Illinois coal has been low for a decade. Even power plants in Illinois, such as Dynegy's Baldwin Energy Complex, a couple of miles from Peabody's closed Marissa mine, now burn low-sulfur Wyoming coal.

Twenty-two years ago, 18,000 people earned their living from mining, processing and handling Illinois coal. This year, the total is 4,000. Peabody's investment in the generating plants could spark a renaissance.

"We need work out here so bad it ain't funny... There's nothing here for anybody," said David Waller, owner of a grocery in Lively Grove, near the planned 1,000-acre Prairie State Energy Campus.

The 1,500-megawatt plant in Washington County would be built near Peabody's reserves of 200 million to 300 million tons.

Another benefit: Building power plants over coal mines would save the \$10 a ton to ship low-sulfur coal from Wyoming.

But people who focus on environmental and health issues say the cumulative effect of burning so much coal will be bad for wildlife, plants and humans.

"Peabody is the first pig out of the pen in burning dirty coal when the Bush administration is pushing coal," said David McIntosh of the Natural Resources Defense Council.

The Thoroughbred Generating Station in Kentucky, which awaits approval by the state Department of Air Quality, would be 45 miles west of the 53,000-acre Mammoth Cave National Park. Environmentalists say emissions from the nearby Tennessee Valley Authority's Paradise power plant, an older, coal-fired unit, already are hurting wildlife and vegetation in and around the park.

St. Louis Post-Dispatch, 3/24/02

The park, visited by 2 million people a year, is home to 12 federally protected endangered or threatened species, including the American bald eagle, the Kentucky cave shrimp, eggert's sunflower and the Indiana and gray

Peabody says clean-coal technology at the new plant will cut some harmful emissions by up to

98 percent.

But because the new plants would be so large, the quantity of pollutants - including sulfur dioxide, nitrogen oxides and heavy metals - concerns many critics. They say emissions from Thoroughbred will further foul the air at one of the country's most popular national parks, which already has some of the dirtiest air.

Ken Midkiff, director of the Sierra Club's national clean air task force, likens clean coal "to a

healthy cigarette."

The 11,000 tons of sulfur dioxide a year that Peabody's new plant would emit doesn't go away, said Don Barger, regional director in Atlanta of the National Parks Conservation Association. "Somebody's breathing it. And those (park visitors) didn't have a chance to comment on it" before permits are issued.

A recently released study published in the Journal of the American Medical Association linked fine particles of pollution from coal-fired power plants and other sources to lung cancer. -Gaseous compounds from coalfired plants - sulfur dioxide and nitrogen oxides - cut visibility and cause acid rain. Other emissions from coal-fired plants -even Peabody's proposed ones --combine in summer sunlight to create smog.

Heavy metals, such as mercury, are neurotoxins that, in concentrations, attack the human nervous system. Kentucky officials have warned against eating fish from the state's rivers, lakes and ponds because of mercury concentrations caused by emissions from its many coal-fired power plants.

Environmental and health groups are scrutinizing federal and state laws for a way to block

the plants.

"These plants in Illinois and Kentucky will be litigated for years and years and years," said-Thompson, with the Clean Air Task Force.

Best available technology

Many critics don't think the technology Peabody plans to use to burn coal is the best available, as they say the Clean Air Act requires. They have focused on Peabody's plans to burn pulverized coal that has not had many impurities removed before burning.

'We're not against coal," said Brian Urbaszewski, director of the American Lung Association's environmental health program in Chicago. Natural gas or integrated gasification combined combustion, a clean-coal technology, "is about as clean as you can get if you burn fossil fuels."

Vic Svec, Peabody's spokesman, said integrated gasification combined combustion "has excellent potential, but it's not ready . . . There are no plants of this size using gasification."

Opponents say Peabody is ignoring gasification because it prefers pulverized coal, a cheaper process of combustion. Gasification has been around for about a century, is used around the world and in nearly a dozen U.S. power plants.

But, Svec said, "We are saying it is not commercially available to the degree we need today."

Thompson said Peabody is wedded to the old ways of using coal. "Will the regulators let these dinosaurs run for another 50 years, or will they require newer technologies?"

Regulators in Kentucky did not return calls seeking comment.

Critics also say Peabody should wash the coal to remove impurities, such as sulfur, before burning it. They say the Clean Air Act requires using the best available technology to cut pollutants.

"Best available control technology does not apply to the generating technology," said Svec.
"It applies to the technology for controlling emissions."

At the plant in Illinois, emission-cleaning technology would reduce sulfur dioxide to 0.182 pounds per 1 million Btu of coal burned from 9.1 pounds per each million Btu, Svec said.

That combination of technologies, Peabody officials say, is what would make their plants the best available. They plan to use a combination of emission-cleaning technologies and a sophisticated computer control system to cut amounts of harmful compounds and metals emitted.

Peabody has charts showing how its engineers have found ways to squeeze out most of the federally regulated, harmful emissions. They say they will require contractors who supply the equipment to hit emission control targets, or the equipment will not be used.

Peabody has not calculated the amount of carbon dioxide that its plants would produce.

In Kentucky, Peabody expects to begin work later this year. Thoroughbred will be operating in three to four years, Svec said.

In Illinois, the timetable is about six months behind Kentucky, Svec said. That means Prairie State would begin producing electricity in 2006 or 2007, assuming it wins state approvals and barring delays.

The Illinois Environmental Protection Agency, which got Peabody's application for an operating permit in October, has decided it needs more information, said Chris Romaine, manager of utility units in the air permit section. He said Illinois is watching Kentucky's approval process carefully but expects to issue a permit by the end of the vear.

So as Thoroughbred enters what could be the home stretch, the debate comes down to deeply held convictions about balancing the needs of a growing economy and a healthy society.

"We believe technology is the solution to this country's energy needs," said Irl F Engelhardt, Peabody's chief executive. "We can use coal in a clean way."

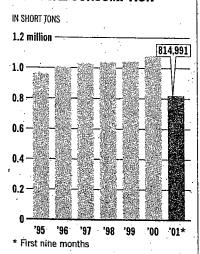
Thompson, of the Clean Air Task Force, sees it differently. "Do we want to license the next generation of your grandfather's technology?"

> Reporter Repps Hudson: E-mail: rhudson@post-dispatch.com Phone: 314-340-8208

Coal: fuel of the future?

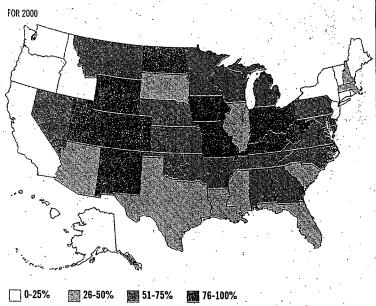
oal has lost some of its luster as a fuel because of pollution. But Peabody hopes two new plants – one in Illinois, the other in Kentucky – will polish coal's image.

U.S. COAL CONSUMPTION



Sources: U.S. Energy Information Administration, U.S. Environmental Protection Agency Environmental Scorecard 2000, Feburary 2002 "Clear Skies" Administration proposal, U.S. Department of Energy 2002 Annual Energy Outlook and Peabody Coal and U.S. Energy Information Administration, Peabody Coal

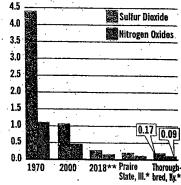
PERCENT OF TOTAL ELECTRICITY GENERATED FROM COAL



EMISSIONS FROM COAL-FUELED PLANTS

Since the Clean Air Act was established in 1970, coal emissions have dropped considerably.





*Projected with use of new power plant **Levels if "Clear Skies" Proposal is passed

POST-DISPATCH

Clean-coal technology terms

Atmospheric fluidized bed combustion: Boiler system that uses jets of air to mix ground coal and limestone during combustion. High levels of sulfur dioxide are captured by limestone; steam from boiler may be used to generate electricity or to power other Industrial processes.

Pressurized fluidized bed combustion: Similar to above process, but operated under pressure much higher than outside air. High pressure permits the use of a combustion turbine in addition to a boller, increasing efficiency; also removes sulfur dioxide.

Combustion nitrogen oxides control technology: Includes burner designs that reduce nitrogen oxles with lower temperature combustion and secondary combustion systems that convert nitrogen oxides to nitrogen within the boiler.

Post-combustion nitrogen oxides control technology: Uses ammonia in a selective catalytic reduction device to remove nitro-

gen oxides.

Integrated gasification combined cycle: Process converts coal to gas, which is cleaned and burned in a combustion turbine to power a generator and produce-electricity. Steam from exhaust heat is captured to power

Coal cleaning: Coal is usually prepared at the mine for combustion by using water or centrifuge to separate materials by density:

a steam turbine generator,

gets rid of some ash and 20 percent to 40 percent of sulfur.

Sorbent injection systems: A retrofit for older power plants to remove some sulfur dioxide; not effective for new power plants.

Flue gas desulfurization (scrubbers): Lime or limestone is mixed into the flue gas to capture sulfur dioxide. Scrubbers produce a wet slurry of captured sulfur compounds (wet scrubbing) or a dry sulfur compound (dry scrubbing), wet scrubbers capture more sulfur dioxide.

Coal types

Anthracite: Highest energy content, very hard, typically low in sulfur; from Pennsylvania; not used in power plants.

Bituminous: Lower energy content than anthracite, moderately hard, higher content of ash, volatile compounds; primarily found in Illinois Basin.

Sub-bituminous: Lower energy content than bituminous, low sulfur, typically is from Wyorning and the eastern Rockies; the coal burned in many local power plants to comply with emissions standards of the federal Clean Air Act.

Lignite: Lowest energy content, highest ash content; typically mined in the Dakotas and Texas; used in mine-mouth power plants in those areas.

Source: John Mead, director, Coal Research Center at Southern Illinois University Cars bondale

State and federal tax breaks could help fire power plants

State and federal tax breaks could provide subsidies for new coal-fired power plants in Illinois and Kentucky.

In Kentucky, Peabody Energy plans to build a 1,500-megawatt plant. The state would allow Peabody \$2 a ton in tax subsidies. For the 6 million tons of coal to be burned a year, that comes to \$12 million.

In Illinois, where Peabody plans to build a similar plant about 50 miles southeast of St. Louis, a state law to boost coal consumption could help Peabody, too.

Peabody spokesman Vic Svec said the coal company doesn't know how much it will receive from the state's \$3.3 billion "Empower Illinois" fund, created to boost use of the state's abundant reserves of high-sulfur, high-energy coal.

As for the federal energy bills moving through Congress, Svec said Peabody is not counting on subsidies or tax credits to build or operate the two plants.

But Keith Ashdown, of Taxpayers for Common Sense, a watchdog group in Washington, said Peabody could qualify for up to \$30 million in federal aid to build each plant if Congress enacts certain provisions in the bills. The same goes for up to \$30 million in annual operating subsidies, Ashdown said.

- Repps Hudson

Thoroughbred Generating Energy Campus

Owner: Peabody Energy of St. Louis

Location: Central City in Western Kentucky. A nearly identical plant is planned for Washington County, III., about 50 miles southeast of St. Louis.

Dutput capacity: 1,500 megawatts, using two generating units

Fuel: Pulverized coal

Consumption: 6 million tons a year

Employees: 450 for generating plant and mine

Payroll: \$35 million a year

Emissions

Nitrogen oxides: 6,000 tons a year

Sulfur dioxide: 11,000 tons a year

Mercury: 420 pounds a year

Sulfuric acid mist: 326 tons

Particulate matter (soot): 1.328 tons a year

Volatile organic compounds:

509 tons a year

Beryllium: 123 pounds a year.

Carbon dioxide: not available.

Source: Peabody Energy

March 20, 2002

Coal Daily, 3/20/02

Ky. Senate Passes Version Of Siting Bill

The Kentucky Senate passed its own version of a power plant siting bill late Monday, rejecting a House version opposed by both utilities and environmentalists (CD 3/09/02; 2/11/02). SB 257 passed on a 36-0 vote but must still return to the House before final passage.

SB 257 sets up tougher environmental controls for new power plants than the state House version (HB 540), requiring both merchant plants and regulated utilities to assess the impact of the plant on local community's environments. Like HB 540, it creates a new state siting board that must approve plant location. But SB 257 gives a stronger voice to local communities on where they want new plants to be located. The Senate version of the bill also contains an "emergency clause" which means it would take effect immediately if passed into law by the end of the legislative session next week.

The fate of the bill is unpredictable since House Democrats and Senate Republicans are locked in bitter political battles on other issues. But Kentucky Association of Electric Cooperatives lobbyist Hayden Timmons said he is optimistic that bipartisan support in the Senate for the bill will translate into compromise legislation in the

House.

Courier Journal, 3/20/02

Subsidizing coal

THE legislative proposal to force Kentucky's electric utilities to buy Kentucky coal even if it costs more than other coal is a lot less neighborly, and a lot more risky, than it seems on the surface.

Yes, coal remains important to the state, and so does the welfare of the people of the coalfields. And yes, Kentucky coal suffers from some competitive disadvantages these days.

But artificially propping up one industry at the expense of others offers no real solution while posing very real risks.

For every dollar extra that electric consumers, both individuals and businesses, must pay to subsidize Kentucky coal, they will have one dollar less to spend on other Kentucky enterprises.

For every dollar extra they must pay to subsidize non-competitive, declining operations, they will have one dollar less to spend in support of competitive, growing ones.

And for every dollar extra that businesses must pay for power, they will have one dollar less in incentives to relocate or expand here.

Besides, this kind of insular protectionism rarely works; in fact, it's a formula for economic harm. High on the list of reasons that the United States grew great and prosperous is the Founders' foresight in ensuring free, unfettered, competitive trade among the states. Will the Kentuckians pushing this bill be as glad when other state legislatures act to prevent their citizens from buying Kentucky's competitive products?

Kentucky utilities still buy mostly Kentucky coal, and for good reasons. All of the state will be best served by letting those good reasons, not government fiat, guide their decisions.

March 19, 2002

Posted on Tue, Mar. 19, 2002

Senate passes regulation bill for merchant power By Jack Brammer HERALD-LEADER FRANKFORT BUREAU

FRANKFORT -- The growing industry of merchant power plants in Kentucky would be regulated under a bill passed 36-0 yesterday by the Senate.

The sponsor of Senate Bill 257, Sen. Ernie Harris, R-Crestwood, said the legislation would help keep electric power costs low for consumers.

Since October 1999, the state has received 29 applications to start merchant power plants, which sell their electricity wholesale to utilities or corporations.

Because the state's regulated utilities already offer the nation's lowest electricity rates, merchant plants probably would ship their electricity to other states, while leaving their pollution for Kentucky.

Harris' bill sets up application requirements for tough environmental controls. A study would be required to assess the impact of both merchant and regulated utility plants on a local community's environment.

It also creates a siting board, which would take into account local opinion on plant location.

"Local control on siting matters is key to assure that no community is adversely affected by the boom in merchant power plants," Harris said.

Tom FitzGerald, director of the Kentucky Resources Council, said Harris' bill is an improvement over House Bill 540, which also deals with the siting of power plants.

He said he especially was pleased that the Senate bill contains an emergency clause, which means it would take effect immediately if it became law.

But when the House considers Harris' bill, FitzGerald said, it should eliminate what he called a loophole that allows a merchant plant to expand without siting review.

The future of the bill in the House is uncertain. Rep. Jon Draud, R-Crestview Hills, said the legislation could die in the hands of feuding House Democrats and Senate Republicans.

Hayden Timmons, a lobbyist for the Kentucky Association of Electric Cooperatives, said last night that he was optimistic that the House will approve the Senate bill. "There was strong bipartisan support for it in the Senate," he said.

Ky. Leaders Consider Coal Bills As Session Concludes

With less than two weeks left in the Kentucky legislative session and major issues still to be settled, one of Kentucky's top coal lobbyists isn't placing bets on the outcome of key bills that affect the industry.

Bill Caylor, president of the Kentucky Coal Association, said bipartisan bickering between Kentucky's Democratic governor and its strong GOP legislators is making it hard to predict how black-lung reform, a power plant siting bill and pro-Kentucky coal legislation will shake out.

"This is a squirrely session," Caylor said. "In these last two weeks anything could happen."

For many, the immediate concern is a black-lung benefits bill that may pass out of the state Senate labor committee as early as today and go up quickly for a vote of the full Senate. Caylor and other industry reps oppose the sweeping legislation pushed by Kentucky Gov. Paul Patton that would roll back reforms made in 1996. The bill passed through the House with little opposition, but state Senate Republicans, lead by labor committee chairwoman Sen. Katie Stine, have slowed it down in committee and raised questions about the high cost of the proposed changes which would make it easier for miners to claim black-lung benefits.

Caylor is predicting success for a power plant siting bill that would regulate where new power plants are built. HB 540 passed through the House with some changes that favored existing power plants and favored location of new plants near riverports. Caylor expects more changes will be made in coming days that may exclude existing utilities from the regulation and eliminate or reduce the amount the influence local officials have on a power plant location.

"What we want to avoid is 'absolute' language in the bill that would virtually put a halt to any new plants," Caylor said. "We want a [siting] bill that's flexible enough to be modified if needed in future sessions."

Caylor's also concerned about HB 556 that just passed out of the House Tourism Development and Energy Committee late last week. The bill would create a new state park, the 120-mile long Pine Mountain Trail. Current language in the bill would allow state regulators to declare areas around the park boundaries as "unsuitable for mining" if the mining operation disrupted the "scenic view" of the park.

Caylor is hopeful that HB Bill 809, which passed out of the House last Friday, will succeed in the Senate. The bill would grant coal companies a "right of entry for reclamation" on private property impacted by an adjacent mining operation.

He's less optimistic about the fate of HB 408, a pro-Kentucky-coal piece of legislation that's undergone major changes in its language. The bill would allow the Kentucky **Public Service Commission** to consider the economic impacts, including the loss of state tax dollars, when reviewing coal contracts with out-of-state suppliers. The bill passed out of the House last Friday, but faces major opposition from the PSC and the state's utilities.

March 18, 2002

Indiana Coal Gets A Boost From Legislation

Coal-burning generators will be able to apply to offset costs of building new or improved generation in Indiana since the state Legislature passed SB 29 last week (CD 2/4/02).

SB 29 is intended to promote the use of clean coal technologies in new generating facilities, but is broadly written to include mine-mouth power plants, projects that use clean-coal technology like coal gasification, projects that provide scrubbers for existing plants and projects that provide electric transmission facilities.

Facilities would also need to be more than 100 MW and be newly built, newly re-powered or additions at existing facilities.

Those utilities investing in the new projects will be allowed to file for an increased electricity tariff from the Indiana Utility Regulatory Commission for increased rates that would cover the costs of bringing on-line the new generation. While the exact rate levels and schedules are left up to the IURC, the bill encourages the commission to allow generators to recover cost in "a timely matter."

One of the more disputed elements of the bill is the requirement that new facilities applying for the credit must use Illinois Basin coal. The bill leaves unexplained the exact definition of Illinois Basin coal, although it does state that one purpose of the bill is to take advantage of Indiana's coal resources.

There have been widespread concerns among environmentalists and consumer groups that the bill could encourage pollution at the cost of higher electricity costs. The bill's sponsor, Rep. Russ Stillwell (D-Boonville), acknowledged that some more pollution might be created by more coal-fired generation. However, he told the *Indiana Courier and Press*, with Indiana energy demands exceeding capacity, new plants need to be built, and this will encourage those plants to be cleaner than they otherwise would.

Stillwell also answered questions about a possible conflict of interest in issues pertaining to the coal industry, since he is a representative for the **United Mine Workers** of America.

March 17, 2002

Morning Sentinel, 3/17/02

Powerprojectsstill ontrack

By Nathaniel West

Sentinel News Staff

Although no ground has been broken, plans to build two different power plants in Washington County are still on, according to officials with the Aquila Inc. and Peabody Energy.

Aquila is trying to construct a 300-megawatt, natural gas-fueled plant on an 84.3-acre tract in Bolo township. Peabody Energy is seeking to construct a 1,500-megawatt, coal-fueled plant near Marissa in Lively Grove township.

The Aquila plant project has run into legal obstacles. In December 2000 the Washington County Board approved a special-use permit to build the 'peaker' facility, which would operate for only a few months per year when electricity demand is high, but the legality of that permit was challenged by local residents.

Washington County Circuit Judge William Schuwerk in April 2001 ruled in favor of the County Board and Aquila, but the plaintiffs appealed and the case was sent to the 5th District Appellate Court in Mt. Vernon, according to Washington County State's Attorney Brian Trentman.

Both sides have presented arguments to the appellate court, but it is not known when a decision will be reached, said Trentman.

Opponents of the Aquila plant said Washington County zoning laws do not allow for a special-use permit within an agricultural-zoned area for a peaking power plant.

Robert Shanklin, project manager for Aquila, said, 'Right now we're still evaluating the project.'

Until the lawsuit is resolved, he said, Aquila cannot provide any definite time line about the project.

The location proposed for the Aquila plant has undergone some environmental and geological testing, but that is the extent of any site preparation work, said Shanklin.

Peabody Energy is still in the process of acquiring the necessary permits for its project, according to Beth Sutton, Peabody spokeswoman. The 'key benchmark' of the permits is the state-issued air permit, she said.

'We would expect the regulatory process to last about a year,' said Sutton.

The Prairie State Energy campus will be built on ground already owned by Peabody, and will be supplied by an adjacent underground coal mine. Unlike the Aquila plant, the 'base-load' Peabody plant would operate all the time, providing electricity for about 1.5 million homes, she said.

Sometime in late 2002 or early 2003, Peabody officials expect to break ground on the Washington County http://www.morningsentinel.com/local2.htm 03/18/2002

plant, said Sutton. The plant would begin generating electricity by 2006 or 2007.

She commented the construction of the plant would require a labor force of 15,000.

Eventually, Peabody will seek a partner to actually operate the plant, as Peabody's expertise is in the coal mining industry, she added.

Because the plant is designed to produce electricity cleanly and efficiently, said Sutton, 'The facility will help keep Illinois electricity costs low.'

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March 16, 2002

Evansville Courier, 3/16/02

Peabody fails to do air analysis

By MARK WILSON Courier & Press staff writer 464-7417 or mwilson@evansville.net

An air quality analysis for Peabody Energy's proposed Muhlenberg County, Ky., power plant has not been done, even though Kentucky law requires it.

Several national environmental groups are accusing Kentucky of violating its own laws as well as the federal Clean Air Act by not requiring Peabody Energy to do such an analysis - especially regarding the plant's potential impact on regional ozone pollution.

"The law places the burden on an applicant and state permitting agency to not build a source of pollution unless they first prove that the pollution they plan to emit will not cause premature deaths, asthma, cardio-pulmonary disease, and haze over our national parks," said David McIntosh, an attorney with the Natural Resources Defense Council,

in Washington, D.C.

Officials with the Region 4 U.S. Environmental Protection Agency office overseeing Kentucky also have commented on lack of air quality data in the proposed permit.

"All we can say at this point is that it was not referenced in any of the documentation submitted to us," said Kay Prince, chief of the EPA's Region 4 Air Planning Branch. "There are certainly significant proposed emissions. We would normally expect that to be addressed."

According to Kentucky law, "the owner or operator of the proposed source" must demonstrate that the emission increases will not cause air quality violations or increase pollution above acceptable levels.

Vic Svec, a Peabody Energy spokesman, said the company is in compliance with federal law.

"We performed the necessary modeling protocols for emissions and are proud of the unprecedented levels of emissions reductions that we would achieve," he said.

Company officials contend a separate report done for the state and released last December - after the company had filed its application - shows that the emissions from 16 proposed power plants, including Muhlenberg, will have only a small impact on air pollution.

However, the report was not included or referenced to in Peabody's application or Kentucky's draft permit. As a result, it was not part of the permit information available for public comment. "I'm not sure Peabody thought it was required of them to put in ... the cumulative assessment," said John Lyons, director of the Kentucky Division of Air Quality.

But he would not say whether more air quality analysis should be done or who should be responsible for it.

Evansville Courier, 3/16/02

What impact this may have on the permit is unclear. Kentucky is still in the process of responding to public comments before issuing a final permit.

"We did not include this in our filing because this was not our report, but a separate report performed by the state that is responsible for reviewing our filing," said Svec.

Peabody has repeatedly cited the study to support the project. It was done by the U.S. Environmental Protection Agency as part of a state report ordered by Gov. Paul Patton. Regional EPA officials are reserving further comment until a final permit is issued. Kentucky environmental officials are currently going over public comments on the draft permit before issuing a final permit. Once a final permit is issued, objectors will have to appeal it to the Kentucky Natural Resources and Environmental Protection Cabinet and the state court system.

The EPA can order Kentucky and Peabody to stop construction if if finds that the state violated the Clean Air Act in issuing the permit, said Region 4 Chief of Air Permits Gregg Worley. It can also take back Kentucky's authority to issue air pollution permits.

In strongly-worded written comments on Kentucky's draft permit, the EPA called attention to the apparent lack of analysis for several key pollutants; cited a long list of incomplete information; and criticized Peabody for not justifying plans to burn high sulfur Western Kentucky coal and not use cleaner-burning technologies.

State and local officials in Indiana fear ozone pollution caused by the proposed power plant will worsen air pollution here.

Indiana environmental officials are contending that the study looks only at impacts within the state of Kentucky and that it is not done specifically for the Muhlenberg plant - although that plant and other proposed coal burning plants are included in the analysis.

"It contains interesting information, but in terms of being satisfactory for being about the impacts of this specific plant on areas outside the state, it doesn't address that," said Janet McCabe, an assistant commissioner for the Indiana Department of Environmental Management. Lyons acknowledged that the report is specific only to Kentucky and not regional air quality impacts.

March 14, 2002



Auction alerts





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Front Page

Hews

Sports Columnists

Opinion

Features

Classified

Opinion Sections

Editorials

Board of Contributors

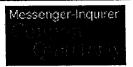
In My View

Golden Pen

Readers Write

Recent Articles

Popular Areas



Citizens' Reference Page
MI ALERTS
Newspaper In Education
Special Publications
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Community Calendar
Goodfellows
Internet Directory
Movie Listings
Lottery Results
Real Estate Guide
Tornado 2000
Slide Shows
Weather

Contests

Bracket Magic

Thoroughbred campus shows the new era of power plants

14 March 2002

A Jan. 23 article in the Messenger-Inquirer featured alarmist views about Peabody Energy's proposed Thoroughbred Energy Campus in Muhlenberg County with no attempt to balance the discussion or explore the plant's extensive system of environmental controls.

Thoroughbred Energy is modeled to be the cleanest pulverized coal plant of its size east of the Mississippi River. Thoroughbred's emissions of sulfur dioxide (SO2) will be 86 percent below the average SO2 emissions rate for Kentucky coal plants. Its nitrogen oxide (NOx) emissions rate will be 82 percent below the Kentucky coal plant average. And, virtually all particulates will be removed.

Thoroughbred will provide reliable, low-cost electricity for 1.5 million homes while creating tremendous economic benefits. The plant is modeled at a dispatch position that is lower than all of the region's coal plants, all of the region's gas plants and below some nuclear plants. This means Thoroughbred will benefit Kentuckians by continuing to help keep energy prices low. At the same time, the facility is expected to accelerate economic growth, creating more than 450 permanent high-paying jobs and employing up to 2,500 workers at peak construction. Once on-line, the campus could annually inject \$98 million into Kentucky's economy in new spending, job creation and induced economic activity.

Developing the Thoroughbred Generating Station is in the public interest. The facility represents a new generation of coal-fueled power plants designed to provide low-cost electricity to meet growing energy needs while continuing to achieve the nation's environmental goals.

Roger Walcott Jr., executive vice president corporate development

Peabody Energy

March 13, 2002

Megawatt Daily, 3/13/02

Peabody files papers to explore New Mexico plant

Peabody Energy, the world's largest coal company, has filed an air permit application with the New Mexico Air Quality Bureau for a 300-MW, coal-fired merchant baseload plant to be built in McKinley County, N.M.

A spokeswoman for the St. Louisbased company said Monday the Mustang Generating Station project is in the "exploratory phase." The application was filed March 7.

Peabody hopes to obtain an air permit for the project next year, and then make a final decision about whether to proceed with construction.

Coal & Energy Price Report, 3/13/02

Peabody shipping to LG&E under new three-year Illinois Basin contract

Peabody COALSALES will supply from nearly 2 million tons to approximately 2.45 million tons of coal to LG&E Energy unit Louisville Gas & Electric under a three-year contract that began in January.

LG&E will take 750,000 tons of the coal this year. It also will take a minimum of 600,000 tons/year in 2003 and 2004. Negotiations will begin this June and in June 2003 to negotiate a pricing for an additional 250,000 tons/year in the latter two years of the contract. If those talks fail, the tonnage each year will revert to the 600,000 tons/year base volume.

Coal will be supplied from the Western Kentucky #9 and #11 seams and from Peabody affiliate Highland Mining's Union County, KY, operations. Third-party coal may be shipped under the contract. The coal will be delivered to LG&E FOB barge at the Camp Complex or the Gibraltar Dock.

Specs are 11,400 Btu/lb., 2.3 to 2.89% sulfur, 8.33% ash, 10.53% moisture, 30% vols and 2,225 degrees ash fusion temperature.

Base price for 2002 is 112.24 cents/MMBtu (\$25.59/ton); for 2003, 113.51 cents/MMBtu (\$25.88/ton); and for 2004, 116.8 cents/MMBtu (\$26.63/ton).

March 12, 2002

Henderson Gleaner, 3/12/02

Power plant official addresses ozone concerns

By TOM RAITHEL Courier & Press staff writer 4647595 or raithel@evansville.net

Ozone pollution caused by the proposed Thoroughbred power plant in Muhlenberg County, Ky., would be insignificant for the Evansville area, a Peabody executive said Monday.

Jacob Williams, vice president of generation development for Peabody Energy Co., disputed statements made recently by U.S. Environmental Protection Agency officials, who said that ozone effects have yet to be studied and could be significant.

Williams said there have been extensive studies of the ozone impact, and they are in the hands of Kentucky environmental officials.

Williams repeated Peabody's claim that the plant would be the lowest emitting pulverized coal plant of its size east of the Mississippi River and would be an industry leader in environmental controls.

Williams and Vic Svec, vice president of external affairs for Peabody, spoke to journalists about the proposed plant Monday during a visit to the Evansville Courier & Press.

The 1,500-megawatt Thoroughbred plant would be the first coal power plant built in the United States in more than 20 years, Williams said. The plant would be built on 4,500 acres that Peabody controls near Central City, Ky.

The Kentucky Environmental Protection Agency is reviewing the air permit, which it will not approve until after July, when the state's moratorium on air permit approvals ends.

Construction on the plant could begin this year. The plant is expected to begin producing power in 2006, said Svec.

Peabody is looking for an electric company to partner with on the plant.

The plant would create about 450 jobs, and about 1,500 people would be employed on its construction. Svec said the total economic benefit to the community would be \$3.35 billion over the life of the plant, which could reach 50 years.

The proposal received strong support from Muhlenberg County residents at a public hearing in February, Svec said. The proposal, however, has been criticized by environmental groups and some Indiana officials. Joanne Alexandrovich, ozone officer for the Vanderburgh County Health Department, said that this and other proposed plants would undo Indiana's attempts to improve local air quality.

Most recently, Thoroughbred has drawn criticism from U.S. EPA officials, who wrote a letter to the Kentucky EPA saying the permit failed to address the impact emissions would have on ozone pollution in the region. The effects could be significant, said Jim Little of the EPA's regional office in Atlanta.

Henderson Gleaner, 3/12/02

But Williams disagreed with those statements Monday. Williams said the extensive study on ozone pollution had been done and was in the hands of Kentucky officials. The studies showed "the impact in this area is insignificant," Williams said.

According to information from Peabody, Thoroughbred would be the lowest generator of sulfur dioxide and nitrogen oxide emissions among coal power plants in the area.

Executive: Pollution caused by power plant would be insignificant

By TOM RAITHEL, Courier & Press staff

EVANSVILLE -- Ozone pollution caused by the proposed Thoroughbred power plant in Muhlenberg County, Ky. would be insignificant for the Evansville area, a Peabody executive sald Monday.

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March 11, 2002

Coal Outlook, 3/11/02

EPA questions Thoroughbred review

Agency has delivered to a Kentucky state official some pointed comments about the emissions impact of Peabody Energy's proposed coal-fired Thoroughbred Energy Campus.

The comments came in the form of a 23-page letter dated Feb. 26 from EPA's Region 4 office in Atlanta to John Lyons, director of the Kentucky **Dept. for Environmental Protection**, and are based on EPA's review of the application.

Thoroughbred would consist of a minemouth power plant consisting of two steam generating units using pulverized coal. The plant will have a nominal generating capacity of 750 MW each and supporting emissions control units.

"Considering that the proposed project represents one of the largest emissions sources proposed in all of Region 4 in many years, we are concerned that adequate time was not allowed to review the latest project information prior to draft permit issuance," wrote Kay Prince, chief of air planning at Region 4. She noted that Peabody submitted an original application for the project in February 2001, but "project details and final evaluations on which the draft permit was based were not provided until very late November 2001 and mid-December 2001." The Kentucky DEP issued the draft permit in early January.

Further, Prince said, "at a time when cleaner coal technologies are emerging and

other types of electric power generating technologies with lower emissions are available, Peabody has proposed an older pulverized coal design that will be installed at a facility that could be in operation for 50 years or more.

"Furthermore, the location of the Thoroughbred site in the middle eastern part of the United States is such that emissions from the facility could have effects within a wide area, including locations with existing air quality concerns," Prince wrote. "Therefore, in recognition of the older technology aspects, longevity and potential long-range effects of the proposed project, it is incumbent on the permitting authority to require the best possible controls (and control levels) and state-of-the-art emissions monitoring methods."

Prince concluded, "With proposed allowable emissions of nitrogen oxides equal to approximately 6,000 tons per year and proposed allowable emissions of sulfur dioxide equal to approximately 11,000 tons per year (not to mention substantial allowable emissions of other pollutants), the proposed project is of great importance to us. Therefore, we urge you to give careful attention to our comments during the remainder of the permitting process."

Peabody has maintained that the project will be the cleanest new coal plant east of the Mississippi River.

Possible coal shortage predicted for late 2002

oal brokers in Central App are beginning to talk about a possible coal shortage later in the year.

"We may have a wild year next year," one source said. "Nobody's buying now, so you may see a bad market this spring and summer. People are getting out of coal, and they're not going to come back. I'm hearing it every day, that somebody has shut down. They have permits and have invested in equipment, and they're just parking it because there's no market for it."

One source said a cool summer might make things worse. "That would continue the low demand, and more people will shut down," he said.

"Then, if we have a cold winter next year, demand goes up, and the industry can't ratchet up production to take care of it,"the source added.

"Everything's pretty quiet right now," said a midwestern util-

ity buyer. "Everybody's pretty flush with inventory. The weather's been mild, and our forecast looks pretty mild for the next 15 days or so. I guess the key question is going to be: Can the producers keep a higher price on their coal than what the over-the-counter price is?

"Looking at utility inventory levels would lead you to believe that they won't be able to, but the OTC and producers' markets probably will converge a little bit," he predicted, adding, "It's hard to see what's out there that's going to keep the producers' prices as high as they would like them to be."

There was some encouraging news last week as OTC prices—especially for Powder River Basin coal—spiked on news that natural gas production might be about 4% less than expected.

That combined with signs of general economic recovery could eventually bolster coal demand at power plants.

March 4, 2002

EPA questions Thoroughbred permit review process

Agency has delivered to a Kentucky state official some pointed comments about the emissions impact of Peabody Energy's proposed coal-fired Thoroughbred Energy Campus.

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Peabody has maintained that the project will be the cleanest new coal plant east of the Mississippi River.

Coal stocks show modest gains

pbeat data on manufacturing, construction and consumer spending pushed the **Dow Jones Industrial Average** to a six-month high.

Despite depressed tonnage prices, coal stocks tracked by *Platts Coal Trader* showed gains last week, albeit extremely modest ones.

Arch Coal (ACI) closed Friday, March 1, at \$18.42/share, after opening Monday, Feb. 25, at \$18.50/share, having the distinction of the only coal stock for the week showing a decline.

Alliance Resource Partners (ARLP), meanwhile, closed at \$24.50 after open-

ing the week at about \$24.25/share. Peabody Energy (BTU) closed at \$26.06 after opening the week at about \$25.25/share. CONSOL Energy (CNX) closed at \$23.51 after opening Monday at around \$23.25.

Massey Energy (MEE) closed at \$14.16/share after opening the week at about \$13.90.

Penn Virginia Resource Partners (PVR) closed at \$22.40 after opening at \$22.35/

Finally, Westmoreland Coal (WLB) closed at \$13.20 Friday after opening last Monday at \$13 even.

Lexington Herald-Leader, 03/04/02

FAIRNESS, NOT MORE POLLUTION By Jim Gooch

When I read the Herald-Leader's editorial comments regarding my legislation to establish some consistency in the interpretation by which businesses regulated by the Natural Resources and Environmental Protection Cabinet are monitored, my first reaction was not to respond to such outrageous demagoguery.

But then I considered all of the readers who may not understand the issue that I address in House Bill 496 and who believe the nonsense in the editorial. I feel obligated to provide readers with facts, not fiction.

HB 496 is not in any way a threat to human health or the environment. It has been understood for many years that the Natural Resources and Environmental Protection Cabinet is inconsistent in the manner in which it enforces and interprets pollution laws from one part of the state to the other. And, often, the Cabinet is quick to issue a violation before a full examination of the complaint has been made.

This bill is not my personal crusade but was derived from recommendations made by the Commission on Small Business Advocacy. This was a group created by the General Assembly in 2000. The commission endorsed HB 496 to address the problems I have explained. Many business associations have endorsed and actively support this bill as a mechanism to guarantee fair and equal enforcement of environmental laws and regulations.

All my legislation does is require the cabinet to issue a preliminary notice advising the regulated business of the alleged violation. If a correction is not imminent, the director of the division with jurisdiction over the violation can issue the formal notice at any time.

How the Herald-Leader translated the bill's content into "an open invitation to industries of all sizes to pollute without fear of penalty" is beyond my range of comprehension.

In fact, the cabinet has indicated to me that it plans to implement a process very similar to what I proposed in the bill.

I do not advocate allowing any business to pollute, placing Kentucky's natural resources in jeopardy. But at the same time, we must not penalize our industry by using unfair and unequal standards of regulation. All Kentuckians should endorse positive economic development policies to assure the continued good financial fortune that Kentucky has enjoyed in recent years.

I pride myself in making decisions about legislation based on the positive influence it will have on my district and Kentucky as a whole. I encourage the readers to carefully investigate the provisions of HB 496 for themselves and to make knowledgeable decisions based on what they know as facts, not what the Herald-Leader's editorial board chooses as its vendetta for the week.

State Rep. Jim Gooch, D-Providence, is chairman of the House Natural Resources and Environment Committee.

Electric Utility Week, 3/4/02

KY. LAWMAKERS VOTE TO REGULATE SITING OF ALL NEW POWER PLANTS

The Kentucky House of Representatives, by a lopsided margin of 84 to 14, agreed last week to regulate the siting of all new electric generating plants — both merchant units and utility-sponsored facilities. House Bill 540 now goes to the state Senate, where some changes in the legislation are possible.

Republican State Rep. Jon Draud, the bill's sponsor, said the measure was motivated in part by Cincinnati Gas & Electric's plans to build a natural gas-fired merchant peaking plant within 600 feet of a nursing home at Erlanger in the northern Kentucky county of Kenton, where Draud resides. CG&E is the parent company of Union Light, Heat & Power and a subsidiary of Cinergy.

H.B. 540 contains many of the provisions sought by Democratic Gov. Paul Patton, whose Jan. 11 moratorium on new power plant permits replaced a June 20, 2001, freeze on state agencies accepting new power plant applications. The current moratorium is set to expire July 26, and the House, in a voice vote Feb. 26, also rejected an amendment that would have extended the moratorium for another 18 months.

Since November 1999, 29 applications to construct new power plants — most of them of the merchant variety — have been submitted to state agencies. More than a dozen applications already have been approved, though only a handful of plants have been built or are under construction.

H.B. 540 would create a seven-member power siting board, including the three members of the Public Service Commission, the secretaries of the Natural Resources and Environmental Protection and Economic Development cabinets, and two representatives from an area where a plant is proposed.

As approved by the Democrat-controlled House, H.B. 540 would apply to power projects planned by Kentucky's electric utilities as well as merchant plant developers. An amendment that would have exempted utilities, which already are regulated by the PSC, from the siting provisions, was defeated 49-40.

Though there is general consensus a power plant siting bill will pass the General Assembly this year, renewed attempts to remove utilities from siting regulations are expected in the Senate, where Republicans are in the majority.

The siting bill previously was amended in the House to require only a 500-foot buffer or "setback" for power plants located at Kentucky riverports. The legislation still would require a 3,000-foot buffer for plants in most areas of the state.

March 2, 2002

Louisville Courier-Journal, 03/02/02

EPA CRITICIZES STATE ON PLANT

Associated Press

FRANKFORT, Ky. -- The state issued a draft permit for a Peabody Energy power plant in Muhlenberg County without considering the plant's full effect on the environment, the U.S. Environmental Protection Agency says.

In written comments, EPA officials noted that the permit lacks analysis for several important pollutants, including sulfuric acid mist, mercury, fluorides and "volatile organic chemicals," or VOCs.

The EPA says the permit from the state Division of Air Quality also failed to address the likely effect plant emissions would have on ozone pollution in the region.

A state spokesman said the EPA's comments would be considered.

Lexington Herald-Leader, 03/02/02

PEABODY PERMIT IS DEFICIENT, EPA SAYS Some pollutants weren't analyzed

SSOCIATED PRESS

FRANKFORT - The state issued a draft permit for a Peabody Energy power plant in Muhlenberg County without considering the plant's full effect, the U.S. Environmental Protection Agency says. Peabody's proposed Thoroughbred plant would be a 1,500-megawatt generator powered by coal from the company's local mines.

In written comments, EPA officials noted that the permit lacks analysis for several important pollutants, including sulfuric acid mist, mercury, fluorides and "vola-tile organic chemicals," or VOCs.

Federal rules require an analysis when emissions of air pollutants are to exceed specific limits. The threshold for VOCs is 40 tons a year. Emissions for the proposed Peabody plant are expected to be 509 tons a year.

The EPA says the permit from the state Division of Air Quality also failed to address the likely effect plant emissions would have on ozone pollution. "The effects of emissions from a source like this one could be significant," said Jim Little, an environmental scientist from the EPA's regional office in Atlanta. The state agency "should give further consideration to the impact on ozone before issuing a final permit," Little said.

A spokesman for the Natural Resources Cabinet, parent agency of the air-quality division, said the EPA's recommendations would be considered. They were received during a public comment period, which is required for all such permits. The cabinet has 60 days in which to make a final permit decision, spokesman Mark York said.

March 1, 2002

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EPA criticizes power plant permit

Says it fails to address pollution impact in Tri-State

By MARK WILSON Courier & Press staff writer 464-7417 or mwilson@evansville.net

Kentucky Issued the draft permit for Peabody Energy's proposed Thoroughbred power plant based on Incomplete information, according to the U.S. Environmental Protection Agency.

Kentucky approved a draft permit for the project and accepted public comments on it for 30 days. That comment period ended Thursday.

The EPA said in its comment that it was concerned because the permit fails to address the impact that emissions from the 1,500-megawatt coal-fueled plant will have on ozone pollution in the region.

If approved, the generating facility also will have to meet federal ozone requirements.

"The effects of emissions from a source like this one could be significant," said environmental scientist Jim Little from the EPA's Region 4 office in Atlanta.

"We feel the state of Kentucky Division of Air Quality should give further consideration to the impact on ozone before issuing a final permit."

Similar concerns have been cited by others, including the Indiana Department of Environmental Management, Vanderburgh County and Evansville officials, and the Evansville-based environmental group Valley Watch.

The affect of ozone pollution "wasn't in the application," said environmental scientist Stan Krivo, who also worked on the comments. "As far as we know, it has not been addressed, at least not in the materials provided to us."

Federal rules require an analysis when emissions of various air pollutants are to exceed specific limits. For instance, the threshold for volatile organic chemicals (VOCs) is 40 tons per year. Emissions for the proposed Peabody plant are estimated to be 509 tons per year. Peabody has estimated the plant will emit more than 6,000 tons a year of nitrogen oxide (NOx). The two pollutants are key ingredients in the creation of ozone pollution.

In its written comments, EPA officials noted the permit lacks analysis for several important pollutants, including VOCs, sulfuric acid mist, mercury and fluorides. State and local officials in Indiana worry that Thoroughbred's pollution emissions will only worsen the situation for areas such as Vanderburgh County, where air quality barely meets federal standards. Kay Prince, chief of the EPA Region 4 Air Planning Branch, wrote that Thoroughbred represents one of the largest proposed emission sources in the Southeast region in many years. In strongly worded written comments about the draft permit for the power plant, the agency cited a litany of incomplete information in the permit and application. "At this time, Region 4 still considers the (permit) application to be incomplete," the agency wrote.

It took Kentucky and Peabody to task for not justifying its proposed use of high-sulfur Western Kentucky coal and old technology.

"At a time when cleaner coal technologies are emerging and other types of electric power generating technologies with lower emissions are available," Prince wrote, "Peabody has proposed an older pulverized

MAR. 1.2002 9:50AM PEABODY COAL LEGAL

coal design that will be installed at a facility that could be in operation for 50 years or more." Vic Svec, a Peabody Energy spokesman, denied allegations that the permit has been facilitated by politics, as alleged by Valley Watch. Svec also said new technologies for generating coal-fired energy are better suited to smaller power plants.

March 1, 2002

'At this time, Region 4 still considers the (permit) application to be incomplete,' the EPA wrote.



PEABODY DEFENDS PROPOSED KY. PROJECT

Coal Age, Mar 1, 2002

Peabody Energy expects to learn by late-April whether the Kentucky Division of Air Quality will issue a final air permit for a 1,500-megawatt coal-fired power plant the company wants to build near Central City.

If most local residents have their way, Peabody will get the coveted permit for its so-called Thoroughbred Energy Campus, a nearly \$2 billion project that would consist of an electric generating station and nearby underground coal mine that would supply about 6 million tons of high-sulfur coal annually to the plant.

It is estimated that Thoroughbred would begin generating power between 2005 and 2007, providing enough electricity for approximately 1.5 million families.

On the eve of a Feb. 12 Division of Air Quality public hearing on a draft air permit issued by the agency in January, Peabody released results of an independent economic study that concluded Thoroughbred Energy Campus would inject \$3.35 billion into the Kentucky economy in new spending, job creation, and induced economic activity during the approximately 40-year life of the project.

Inspired by those figures, more than 200 people turned out for the hearing, and support for the project was almost unanimous. Some outspoken environmentalists stayed away, preferring to couch their opposition to Thoroughbred in written comments to the Division of Air Quality. Other skeptics, including the Indiana Department of Environmental Management, also submitted written comments to the agency reflecting concerns about the potential for increased air pollution.

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June 25, 2002

Kentucky : com

Posted on Tue, Jun. 25, 2002

HERALD-LEADER

Mercury rising

Power-plant siting board should heed warnings

Get ready for more mercury to be dumped on Kentucky.

How, you ask, could it get worse, with every stream and lake already under a fish-consumption advisory?

Easy. The addition of even a few coal-fired power plants, along with President Bush's loosening of air pollution standards, would rain more of the brain-damaging toxin onto Kentucky.

Bush's "Clear Skies" initiative rolls back required reductions in power plant emissions of mercury from a 90 percent cut by 2008 to just a 46 percent cut by 2010.

Meanwhile, Bush's energy plan calls for increasing electricity production. Kentucky, apple of the merchant power industry's eye, is in line for huge new coal-burning power plants on both ends of the state.

The electricity, not needed in Kentucky, would be exported to other states. But the pollution (airborne and solid waste) would stay right here.

North Carolina, a state that Kentucky often envies, is taking matters into its own hands by requiring a 75 percent reduction in air pollution from 14 power plants, far more stringent than any federal requirement.

Of course, North Carolina has no coal industry, making it easier for elected officials to do the right thing for the state's long-term physical and economic health.

In the case of mercury, fish are nature's barometer. But accumulations of the toxin can persist in the environment for 100 years or more.

Coal burning is the biggest source of airborne mercury, which interacts with micro-organisms in water and is absorbed and stored in the fatty tissue of fish.

In humans, mercury hinders brain development and poses the greatest threat during prenatal development and childhood, which is why the warnings about eating fish apply to children and women of childbearing age.

Kentucky is one of just 17 states with statewide mercury advisories for lakes and streams.

Parents and women of child-bearing age should take the dangers of mercury very seriously. So should the new board that's charged with assessing the cumulative effects of merchant power on Kentucky's environment and approving sites for new generators.

NRDC May Sue Over Thoroughbred Permit

Kentucky environmental regulators have released details about their revisions to the draft pollution permit issued earlier this year to **Peabody Energy**'s Thoroughbred generating station in Muhlenberg County, Ky. (CD 1/7/02), and have re-opened public comment on the document.

The revisions are relatively minor, prompting criticism from environmental activists who oppose the 1,500-MW power plant and Peabody's plans to burn western Kentucky coal to fuel it.

The Natural Resource Defense Council in Washington, DC, said the organization may sue the state over the permit, if it's granted without more revisions to NRDC's liking.

But Peabody and state officials say the proposed pollution controls for the plant are already "state-of-the-art" and that the revisions will simply reinforce the environmental protections already in place.

Revisions to the permit would lower the limit on ozone-contributing nitrogen oxide pollution by 0.01 lb./mmBtu; add a 24-hour standard for sulfur dioxide pollution, in addition to a 30-day standard already in the permit; and

require Peabody to have a Compliance Assurance Monitoring Plan to specify how it will monitor for various air pollutants.

Peabody spokeswoman Beth Sutton said the revisions include a host of control technologies that will allow Peabody to meet or exceed "all ambient air quality standards designed

to protect human health and visibility."

The original permit for the plant was criticized by the US Environmental Protection Agency, National Park Service and Indiana Department of Environmental Management (CD 5/29/02).

June 24, 2002

Louisville Courier-Journal

Louisville, KY Monday, June 24, 2002 A-6

COAL PLANT

I am a concerned citizen of Kentucky who tries to do my part in warning people of things I think might hurt our life here in the state.

I read a story the other day about a proposed coal plant in Muhlenburg County that will have an effect on the quality of life of people in Warren County. I am not an environmentalist; I am just a regular person who enjoys the living that Kentucky offers. . . . Kentucky has beautiful outdoors and a laidback lifestyle that no other state in the Southeast offers. You can actually own land here and enjoy it. . . .

enjoy it....
The proposed coal plant in Muhlenberg County will be the largest one in the state and, unlike the ones near Land Between the Lakes, will be much closer to Warren County. There is also another striking difference between those and this one—Mammoth Cave National Park is very close to it.

Mammoth Cave is the most unique natural feature we have in the entire Southeast. It is the longest cave in the world. . . The Green River is a wonderful river to fish and canoe on, and the woods around the park are old growth and beautiful.

Mammoth Cave is the most important resource in the region. It has provided benefit for people in the surrounding counties, it is our most important rourist attraction, and countless school children admire its beauty....

Nashville's air is the 18th worst in the nation, and I wouldn't want the citizens of Bowling Green put on that list. I don't think anyone would want that.

From everything I have heard, this plant will be bad for our air, and it will affect the park. The National Park Service has felt strongly enough to put an article on its site about it.

SCOTT DUVALL Bowling Green, Ky, 42101

June 20, 2002

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Revisions to pollution permit for Peabody plant released

By MARK WILSON, Courier & Press staff June 20, 2002

EVANSVILLE -- Environmentalists remain at odds with state and company officials about the pollution impact of a power plant Peabody Energy is seeking to build in Muhlenberg County.

Kentucky released revisions to its draft pollution permit Wednesday and reopened the project to public comment.

One thing the opposing sides agree on is that the environmental requirements of the revised permit aren't very different from the original.

"Essentially, as far as the environmental aspects, it is the same as the older version," said Beth Sutton, a Peabody spokeswoman. "It includes a suite of control technologies that will allow it to meet or exceed all ambient air quality standards designed to protect human health and visibility."

But environmentalists who believe the plant could be much cleaner and should be held to tighter standards are disappointed.

"I thought they were going to try to make the plant cleaner. Instead, they have used it as an opportunity for Peabody to submit more excuses for building a dirty plant," said an attorney specializing in air quality at the Natural Resource Defense Council in Washington, D.C.

"At this point I am not optimistic for our prospects for avoiding litigation on this plant."

The original permit for the plant came under fire from the U.S. Environmental Protection Agency and National Park Service, the Indiana Department of Environmental Management, as well as various national and regional environmental groups.

Peabody is proposing to build a 1,500-megawatt power plant near Central City. The Thoroughbred Generation Station will burn pulverized high-sulfur Western Kentucky coal.

The revised permit would:

- Lower the limit on ozone-contributing nitrogen oxide pollution by 0.01 pounds per million BTUs of heat.
- Add a 24-hour standard for sulfur dioxide pollution, in addition to a 30-day standard already in the permit.
- Require Peabody to have a Compliance Assurance Monitoring Plan to specify how it will monitor for various air pollutants.

June 24, 2002

Louisville Courier-Journal

Louisville, KY Monday, June 24, 2002 A-6

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SCOTT DUVALL Bowling Green, Ky, 42101

June 16, 2002

Little progress likely on Cash Creek this year

By CHUCK STINNETT, Gleaner staff June 16, 2002

The scandalous collapse of energy trader Enron and the slowdown in the economy are throwing some cold water on the proposed Cash Creek power plant in eastern Henderson County.

So after a flurry of activity last fall, when Cash Creek Generation LLC won a controversial rezoning of 1,923 acres along the Green River for the plant, progress this year could be minimal.

Cash Creek Generation LLC doesn't plan to submit an application "anytime soon" to the new state board established to review merchant power plant projects, Cash Creek manager Mike McInnis said last week.

Nor is the firm pitching the project to any of the big electric generating companies it hopes will provide the bulk of the money needed to build the \$1.1 billion power plant.

Instead, it's waiting patiently for the Kentucky Division for Air Quality to decide whether to issue an air quality permit for the project.

The agency is busy with the controversial permit application for Peabody Energy Corp.'s proposed Thoroughbred power plant in Muhlenberg County, so it may be awhile before the state turns its attention to Cash Creek. But McInnis doesn't mind.

"The power market is in terrible shape," so Cash Creek is in no rush. He hopes an air permit will be approved late this year or early next year.

"We're not calling every day to push" the division, he said.

A couple of years ago, some parts of the country were running short on power. That's in part because few "baseload" power plants -- the big generating stations that operate around the clock, year-round -- had been built in the past 20 years, despite ever-rising demand for power.

Instead, power companies got by building cheaper "peaking" generating stations that burn natural gas and operate only a few months each year, such as during the peak summer air-conditioning season.

Power shortages in California, coupled with temporary blackouts in some major eastern cities, prompted increased interest in building baseload units the past two years.

It wasn't just utility companies that started putting new power plants on the drawing boards. There was a rush of proposals from independent power producers for merchant power plants that could be built not to serve a particular utility or group of customers, but to sell power wholesale on the open market to the highest bidder. In some cases, the projects were touted by owners of large coal

reserves eager for a ready market for their coal.

That's where Cash Creek fits in; it's a partnership of Kentucky Emerald Land Co., which owns 60,000 acres of coal reserves in eastern Henderson County, and The Erora Group, a collection of former LG&E Energy executives.

Just as with Peabody and its coal reserves in Muhlenberg County, the Cash Creek partners figured that if they could develop a power plant project, and persuade some major power generator to step in with the money to build and operate it, they would have big coal customer next door.

But just as Cash Creek was gaining rezoning, other factors were at work. The nation had more clearly slipped into recession, reducing demand for power. The terrorist attack on Sept. 11 excaberated the economic weakness.

Then came Enron.

The best-known energy trader in the country, Enron and a few other companies were poised to take advantage of opportunities if the electric utilities became deregulated coast-to-coast.

They wanted to be the middlemen when electricity became a commodity and consumers shopped around for power providers, just as they shop for long distance today. Enron executives were close to President Bush, and many figured that electric deregulation would be a cornerstone of the administration's energy policy.

Then came the revelations of Enron's shady bookkeeping, hidden debt and bogus profits, of profiteering during California's energy crisis and strong-arming on Wall Street. Enron's stock fell from the sky, and the company landed in bankruptcy.

Soon, attention turned to other energy traders; McInnes calls it "a witch hunt." In recent months, the stocks of power companies such as Mirant, AES, Williams Cos. and others have nose-dived.

"The (energy trading) industry has collapsed, imploded," McInnes said.

Meanwhile, power plant proposals have been falling to the wayside. "There's been close to 200,000 megawatts (of proposed generating capacity) canceled in the last six months," he said.

Over the long term, McInnes believes that will help Cash Creek. "We think there will be a big shortage of electricity" by 2006 or 2007, he said.

Nonetheless, in such an environment -- and with the uncertainty of whether it will win state approval for an air quality permit -- Cash Creek Generation sees little reason to risk the \$200,000 upfront fee that would be required for filing with the new Kentucky State Board on Electrical Generation and Transmission Siting.

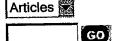
"There's no point in spending money if it won't do something for you," McInnes said.

June 7, 2002

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Commemorative Power Pointers Opinion



FROM THE WIRE

Power Plants Building Steam

Lexington Herald-Leader (June 6, 2002)

Plans to build three massive coal-fired power plants in Kentucky are moving forward rapidly under legislation approved less than two months ago.

If built, the coal-burning plants would be Kentucky's first in more than 20 years.

Kentucky Mountain Power LLC filed two newly required reports with a new state board late last week, detailing the financial and environmental impact of its proposed \$750 million plant in rural Knott County.

The report includes data on the millions of gallons of water the plant would withdraw daily from the Kentucky River; the amount of sulfur, lead and mercury it would spew into the air; the number of coal trucks that would chug along Highway 80 to fuel it; and exactly how far away its 450-foot-high smokestack would be visible.

The company said its 500-megawatt power plant, planned for completion in 2006, would bring hundreds of millions of dollars to the local community without becoming an eyesore for neighbors and visitors.

The plant would be "one of the most environmentally friendly power projects constructed in the past 20 years," one report said. It would sit atop one of the largest reclaimed strip mines in the nation and would use "clean coal" technology to burn a combination of waste coal and regular strip-mined coal.

Two other companies have told the newly formed Kentucky State Board on Electric Generation and Transmission Siting that they will soon file applications seeking approval for coal-fired power plants.

Thoroughbred Generating Co., a subsidiary of St. Louis-based Peabody Energy, wants to build a 1,500-megawatt coal plant at the mouth of a mine in Muhlenberg County. And Estill County Energy Partners plans to build a plant in Irvine that would burn waste coal.

Under a law passed in the final moments of this year's General Assembly session, the siting board will examine the environmental and economic impacts of proposed plants before allowing them to be built. The seven-member board can deny permits for power plants it thinks are not in the public's best interest.

The siting board can contemplate a wide variety of criteria when considering a power plant, including anticipated noise, values of adjacent property, and impact on scenic surroundings.

Proposed power plants also must file something called a Cumulative Environmental Assessment with the state Cabinet for Natural Resources and Environmental Assessment. Spokesman Mark York said that report gives officials there the information they need to study the total amount of pollutants a power plant releases into the state's air and water,



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and to order further safeguards if necessary.

The environmental assessment's usefulness in the Kentucky Mountain Power case is questionable. The company says it has had all of the major permits it needs from the Natural Resources Cabinet for several months.

It also was not subject to a moratorium on new power-plant permits issued by Gov. Paul Patton nearly a year ago. Still, the project needs approval from the new siting board because it was not under construction before lawmakers created the board in April.

21 plants need sites OK'd

Patton's moratorium was lifted May 15, clearing the way for 29 power plants that have been proposed for Kentucky since October 1999. Of those, eight were already under construction or in operation before the siting law was passed. The rest need siting-board approval.

Most of the proposed electricity generators would be merchant plants, selling their electricity wholesale to utility companies or corporations.

From the time an application is submitted, the siting board has 60 days to hold an evidence-gathering hearing in Frankfort, and a total of 120 days to make a decision. Another hearing, near the proposed plant's location, will also be held if at least three people from the area request one within 30 days after an application is filed, said board spokes-man Andrew Melnykovych.

Kentucky Mountain Power's 379-page filing with the siting board includes extensive details about potential effects on everything from the state's electricity transmission grid to water levels on the Kentucky River.

The company says water for the plant would come through a 22-mile pipeline that would tap the North Fork of the Kentucky River in Breathitt County.

It has a permit to withdraw as much as 14.4 million gallons a day from February through May, when flows generally are higher, and as little as 2.4 million gallons a day in September, when flows are the lowest. No water could be withdrawn if the flow of the river dipped below 13 million gallons a day.

The plant would get its water about 145 miles upstream from intakes that supply Lexington.

The company would be able to store up to 1.3 billion gallons pumped out of the river during wet months. It said that supply could last six months during periods of low flow.

Neighbors fear more traffic

A Herald-Leader analysis of water flow records shows that during the drought of 1999, an average of 24 million gallons a day moved down that portion of the river in September. If the plant had been operating and pulling from the river then, it would have taken 10 percent of the flow.

The power plant's potential neighbors also are concerned about increased traffic, according to Tom FitzGerald, director of the Kentucky Resources Council.

Kentucky Mountain Power's filing estimates that 420 additional vehicles a day would travel the road during construction, and 736 vehicles would go in and out of the plant daily after it is completed. About 71 percent of that traffic would be large trucks carrying coal and limestone.

From an economic standpoint, the plant would pump about \$585 million into the region during its four-year construction. That estimate is based on the assumption that half of the labor dollars would be spent locally and that 10 percent of the materials would be bought locally



iocally.

After completion, it would spend \$4.9 million annually to pay 64 full-time employees. About 50 truck drivers would also be needed to haul 4.5 million tons of coal and limestone to the plant each year.

The siting board applications do not require information about the financial muscle of the applicant.

Kentucky Mountain Power's parent company, Lexington-based EnviroPower, has about 100 investors, some of whom were associated with the former AEI Resources Holding Inc., an Ashland company that recently emerged from bankruptcy protection and is the nation's fourth-largest coal producer, said EnviroPower project consultant John Bird.

At a ceremonial groundbreaking for the plant in the spring of 2001, the company said it expected to begin construction before the end of last year.

Bird said the plans were put on hold by a combination of events: the financial meltdown of energy-trading giant Enron; an abrupt bottoming out of the market for electricity; and the realization that a new law governing power plants was on the way.

But Bird said it now looks as though construction could begin in October. *The bankers have calmed down considerably.*

However, the company signaled that money is still tight when it balked last week at the siting board's \$200,000 application fee.

Kentucky Mountain Power asked to pay \$100,000 when it filed the application and another \$100,000 30 days later. The board hasn't responded to the request.

Melnykovych, the siting board spokesman, said the application fee would be used to pay staffers at the state Public Service Commission and outside consultants to review the applications. A consultant to assess a proposed power plant's impact on its surroundings could cost up to \$75,000, he said.

Bird argues that Kentucky Mountain Power's application is more advanced than most and should cost the siting board only about \$50,000 to review.

"We just think that is a lot of money to pay upfront if you're not going to need all of it," he said.



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Ky. Plant Applications Starting To Roll In

Now that Kentucky's moratorium on new power generation facilities has been lifted (CD 5/16/02), plant developers in the state are starting to move forward with their plans again.

Kentucky Mountain Power became the first company to submit a formal construction application to the state since the moratorium ended, filing a 379-page document last week with the Kentucky State Board on Electric Generation and Transmission Siting. The siting board is a new entity created earlier this year by Kentucky Gov. Paul Patton and the legislature to manage the development of generating facilities in the state.

A subsidiary of **EnviroPower**, Kentucky Mountain Power announced in early 2000 that it wanted to build a 500-MW coal-fired plant in Knott County, Ky. (CD 4/6/00), but the project was put on hold last year when Patton imposed the moratorium (CD 6/19/01).

Little has changed with Kentucky

Mountain Power's plans since the project was first unveiled. According to the company's construction application, the \$750-million facility will consist of two 250-MW circulating fluidized bed boilers, each of which will be fueled by a combination of waste coal and run-of-mine coal.

The plant will consume roughly 4 million tons of coal annually, 3 million of which will be run-of-mine coal provided by Horizon Natural Resources' nearby Star Fire mine. The waste coal will be sourced from various sites around the state. All of the plant's coal will be delivered by truck, according to Kentucky Mountain Power's application.

The company originally hoped to have the facility up and running by Jan. 1, 2003, but the start date will now likely be 2006 or 2007, assuming the project is approved. Kentucky Mountain Power is currently anticipating a construction period of

four years.

At least two other companies are expected to file construction applications with the state in coming weeks. Peabody Energy and Estill County Energy Partners have both submitted notices of intent to file construction proposals with the Siting Board. Peabody is hoping to build a 1,500-MW coal plant in Muhlenberg County (CD 2/9/01; 8/8/01) and Estill wants to build a waste coal plant in Estill County.

June 6, 2002

Clips – June 6, 2002

Peabody Energy

The Lexington Herald Leader

Peabody Energy:

Power plants building steam KNOTT COUNTY GENERATOR WOULD TAP KENTUCKY RIVER

By John Stamper And Andy Mead

06/06/2002

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June 16, 2002

Little progress likely on Cash Creek this year

By CHUCK STINNETT, Gleaner staff June 16, 2002

The scandalous collapse of energy trader Enron and the slowdown in the economy are throwing some cold water on the proposed Cash Creek power plant in eastern Henderson County.

So after a flurry of activity last fall, when Cash Creek Generation LLC won a controversial rezoning of 1,923 acres along the Green River for the plant, progress this year could be minimal.

Cash Creek Generation LLC doesn't plan to submit an application "anytime soon" to the new state board established to review merchant power plant projects, Cash Creek manager Mike McInnis said last week.

Nor is the firm pitching the project to any of the big electric generating companies it hopes will provide the bulk of the money needed to build the \$1.1 billion power plant.

Instead, it's waiting patiently for the Kentucky Division for Air Quality to decide whether to issue an air quality permit for the project.

The agency is busy with the controversial permit application for Peabody Energy Corp.'s proposed Thoroughbred power plant in Muhlenberg County, so it may be awhile before the state turns its attention to Cash Creek. But McInnis doesn't mind.

"The power market is in terrible shape," so Cash Creek is in no rush. He hopes an air permit will be approved late this year or early next year.

"We're not calling every day to push" the division, he said.

A couple of years ago, some parts of the country were running short on power. That's in part because few "baseload" power plants -- the big generating stations that operate around the clock, year-round -- had been built in the past 20 years, despite ever-rising demand for power.

Instead, power companies got by building cheaper "peaking" generating stations that burn natural gas and operate only a few months each year, such as during the peak summer air-conditioning season.

Power shortages in California, coupled with temporary blackouts in some major eastern cities, prompted increased interest in building baseload units the past two years.

It wasn't just utility companies that started putting new power plants on the drawing boards. There was a rush of proposals from independent power producers for merchant power plants that could be built not to serve a particular utility or group of customers, but to sell power wholesale on the open market to the highest bidder. In some cases, the projects were touted by owners of large coal

reserves eager for a ready market for their coal.

That's where Cash Creek fits in; it's a partnership of Kentucky Emerald Land Co., which owns 60,000 acres of coal reserves in eastern Henderson County, and The Erora Group, a collection of former LG&E Energy executives.

Just as with Peabody and its coal reserves in Muhlenberg County, the Cash Creek partners figured that if they could develop a power plant project, and persuade some major power generator to step in with the money to build and operate it, they would have big coal customer next door.

But just as Cash Creek was gaining rezoning, other factors were at work. The nation had more clearly slipped into recession, reducing demand for power. The terrorist attack on Sept. 11 excaberated the economic weakness.

Then came Enron.

The best-known energy trader in the country, Enron and a few other companies were poised to take advantage of opportunities if the electric utilities became deregulated coast-to-coast.

They wanted to be the middlemen when electricity became a commodity and consumers shopped around for power providers, just as they shop for long distance today. Enron executives were close to President Bush, and many figured that electric deregulation would be a cornerstone of the administration's energy policy.

Then came the revelations of Enron's shady bookkeeping, hidden debt and bogus profits, of profiteering during California's energy crisis and strong-arming on Wall Street. Enron's stock fell from the sky, and the company landed in bankruptcy.

Soon, attention turned to other energy traders; McInnes calls it "a witch hunt." In recent months, the stocks of power companies such as Mirant, AES, Williams Cos. and others have nose-dived.

"The (energy trading) industry has collapsed, imploded," McInnes said.

Meanwhile, power plant proposals have been falling to the wayside. "There's been close to 200,000 megawatts (of proposed generating capacity) canceled in the last six months," he said.

Over the long term, McInnes believes that will help Cash Creek. "We think there will be a big shortage of electricity" by 2006 or 2007, he said.

Nonetheless, in such an environment -- and with the uncertainty of whether it will win state approval for an air quality permit -- Cash Creek Generation sees little reason to risk the \$200,000 upfront fee that would be required for filing with the new Kentucky State Board on Electrical Generation and Transmission Siting.

"There's no point in spending money if it won't do something for you," McInnes said.

June 7, 2002

Electric Light & Power - generation, delivery, utility industry

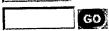
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FROM THE WIRE

Power Plants Building Steam

Lexington Herald-Leader (June 6, 2002)

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The report includes data on the millions of gallons of water the plant would withdraw daily from the Kentucky River; the amount of sulfur, lead and mercury it would spew into the air; the number of coal trucks that would chug along Highway 80 to fuel it; and exactly how far away its 450-foot-high smokestack would be visible.

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Under a law passed in the final moments of this year's General Assembly session, the siting board will examine the environmental and economic impacts of proposed plants before allowing them to be built. The seven-member board can deny permits for power plants it thinks are not in the public's best interest.

The siting board can contemplate a wide variety of criteria when considering a power plant, including anticipated noise, values of adjacent property, and impact on scenic surroundings.

Proposed power plants also must file something called a Cumulative Environmental Assessment with the state Cabinet for Natural Resources and Environmental Assessment. Spokesman Mark York said that report gives officials there the information they need to study the total amount of pollutants a power plant releases into the state's air and water,



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and to order further safeguards if necessary.

The environmental assessment's usefulness in the Kentucky Mountain Power case is questionable. The company says it has had all of the major permits it needs from the Natural Resources Cabinet for several months.

It also was not subject to a moratorium on new power-plant permits issued by Gov. Paul Patton nearly a year ago. Still, the project needs approval from the new siting board because it was not under construction before lawmakers created the board in April.

21 plants need sites OK'd

Patton's moratorium was lifted May 15, clearing the way for 29 power plants that have been proposed for Kentucky since October 1999. Of those, eight were already under construction or in operation before the siting law was passed. The rest need siting-board approval.

Most of the proposed electricity generators would be merchant plants, selling their electricity wholesale to utility companies or corporations.

From the time an application is submitted, the siting board has 60 days to hold an evidence-gathering hearing in Frankfort, and a total of 120 days to make a decision. Another hearing, near the proposed plant's location, will also be held if at least three people from the area request one within 30 days after an application is filed, said board spokes-man Andrew Melnykovych.

Kentucky Mountain Power's 379-page filing with the siting board includes extensive details about potential effects on everything from the state's electricity transmission grid to water levels on the Kentucky River.

The company says water for the plant would come through a 22-mile pipeline that would tap the North Fork of the Kentucky River in Breathitt County.

It has a permit to withdraw as much as 14.4 million gallons a day from February through May, when flows generally are higher, and as little as 2.4 million gallons a day in September, when flows are the lowest. No water could be withdrawn if the flow of the river dipped below 13 million gallons a day.

The plant would get its water about 145 miles upstream from intakes that supply Lexington.

The company would be able to store up to 1.3 billion gallons pumped out of the river during wet months. It said that supply could last six months during periods of low flow.

Neighbors fear more traffic

A Herald-Leader analysis of water flow records shows that during the drought of 1999, an average of 24 million gallons a day moved down that portion of the river in September. If the plant had been operating and pulling from the river then, it would have taken 10 percent of the flow.

The power plant's potential neighbors also are concerned about increased traffic, according to Tom FitzGerald, director of the Kentucky Resources Council.

Kentucky Mountain Power's filing estimates that 420 additional vehicles a day would travel the road during construction, and 736 vehicles would go in and out of the plant daily after it is completed. About 71 percent of that traffic would be large trucks carrying coal and limestone.

From an economic standpoint, the plant would pump about \$585 million into the region during its four-year construction. That estimate is based on the assumption that half of the labor dollars would be spent locally and that 10 percent of the materials would be bought



iocany.

After completion, it would spend \$4.9 million annually to pay 64 full-time employees. About 50 truck drivers would also be needed to haul 4.5 million tons of coal and limestone to the plant each year.

The siting board applications do not require information about the financial muscle of the applicant.

Kentucky Mountain Power's parent company, Lexington-based EnviroPower, has about 100 investors, some of whom were associated with the former AEI Resources Holding Inc., an Ashland company that recently emerged from bankruptcy protection and is the nation's fourth-largest coal producer, said EnviroPower project consultant John Bird.

At a ceremonial groundbreaking for the plant in the spring of 2001, the company said it expected to begin construction before the end of last year.

Bird said the plans were put on hold by a combination of events: the financial meltdown of energy-trading giant Enron; an abrupt bottoming out of the market for electricity; and the realization that a new law governing power plants was on the way.

But Bird said it now looks as though construction could begin in October. "The bankers have calmed down considerably."

However, the company signaled that money is still tight when it balked last week at the siting board's \$200,000 application fee.

Kentucky Mountain Power asked to pay \$100,000 when it filed the application and another \$100,000 30 days later. The board hasn't responded to the request.

Melnykovych, the siting board spokesman, said the application fee would be used to pay staffers at the state Public Service Commission and outside consultants to review the applications. A consultant to assess a proposed power plant's impact on its surroundings could cost up to \$75,000, he said.

Bird argues that Kentucky Mountain Power's application is more advanced than most and should cost the siting board only about \$50,000 to review.

"We just think that is a lot of money to pay upfront if you're not going to need all of it," he said.



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Ky. Plant Applications Starting To Roll In

Now that Kentucky's moratorium on new power generation facilities has been lifted (CD 5/16/02), plant developers in the state are starting to move forward with their plans again.

Kentucky Mountain Power became the first company to submit a formal construction application to the state since the moratorium ended, filing a 379-page document last week with the Kentucky State Board on Electric Generation and Transmission Siting. The siting board is a new entity created earlier this year by Kentucky Gov. Paul Patton and the legislature to manage the development of generating facilities in the state.

A subsidiary of EnviroPower, Kentucky Mountain Power announced in early 2000 that it wanted to build a 500-MW coal-fired plant in Knott County, Ky. (CD 4/6/00), but the project was put on hold last year when Patton imposed the moratorium (CD 6/19/01).

Little has changed with Kentucky

Mountain Power's plans since the project was first unveiled. According to the company's construction application, the \$750-million facility will consist of two 250-MW circulating fluidized bed boilers, each of which will be fueled by a combination of waste coal and run-of-mine coal.

The plant will consume roughly 4 million tons of coal annually, 3 million of which will be run-of-mine coal provided by Horizon Natural Resources' nearby Star Fire mine. The waste coal will be sourced from various sites around the state. All of the plant's coal will be delivered by truck, according to Kentucky Mountain Power's application.

The company originally hoped to have the facility up and running by Jan. 1, 2003, but the start date will now likely be 2006 or 2007, assuming the project is approved. Kentucky Mountain Power is currently anticipating a construction period of

four years.

At least two other companies are expected to file construction applications with the state in coming weeks. Peabody Energy and Estill County Energy Partners have both submitted notices of intent to file construction proposals with the Siting Board. Peabody is hoping to build a 1,500-MW coal plant in Muhlenberg County (CD 2/9/01; 8/8/01) and Estill wants to build a waste coal plant in Estill County.

June 6, 2002

Clips - June 6, 2002

Peabody Energy

The Lexington Herald Leader

Peabody Energy:

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June 25, 2002



Kentucky 💥 com

Posted on Tue, Jun. 25, 2002

HERALD-LEADER

Mercury rising

Power-plant siting board should heed warnings

Get ready for more mercury to be dumped on Kentucky.

How, you ask, could it get worse, with every stream and lake already under a fish-consumption advisory?

Easy. The addition of even a few coal-fired power plants, along with President Bush's loosening of air pollution standards, would rain more of the brain-damaging toxin onto Kentucky.

Bush's "Clear Skies" initiative rolls back required reductions in power plant emissions of mercury from a 90 percent cut by 2008 to just a 46 percent cut by 2010.

Meanwhile, Bush's energy plan calls for increasing electricity production. Kentucky, apple of the merchant power industry's eye, is in line for huge new coal-burning power plants on both ends of the state.

The electricity, not needed in Kentucky, would be exported to other states. But the pollution (airborne and solid waste) would stay right here.

North Carolina, a state that Kentucky often envies, is taking matters into its own hands by requiring a 75 percent reduction in air pollution from 14 power plants, far more stringent than any federal requirement.

Of course, North Carolina has no coal industry, making it easier for elected officials to do the right thing for the state's long-term physical and economic health.

In the case of mercury, fish are nature's barometer. But accumulations of the toxin can persist in the environment for 100 years or more.

Coal burning is the biggest source of airborne mercury, which interacts with micro-organisms in water and is absorbed and stored in the fatty tissue of fish.

In humans, mercury hinders brain development and poses the greatest threat during prenatal development and childhood, which is why the warnings about eating fish apply to children and women of childbearing age.

Kentucky is one of just 17 states with statewide mercury advisories for lakes and streams.

Parents and women of child-bearing age should take the dangers of mercury very seriously. So should the new board that's charged with assessing the cumulative effects of merchant power on Kentucky's environment and approving sites for new generators.

NRDC May Sue Over Thoroughbred Permit

Kentucky environmental regulators have released details about their revisions to the draft pollution permit issued earlier this year to **Peabody Energy**'s Thoroughbred generating station in Muhlenberg County, Ky. (CD 1/7/02), and have re-opened public comment on the document.

The revisions are relatively minor, prompting criticism from environmental activists who oppose the 1,500-MW power plant and Peabody's plans to burn western Kentucky coal to fuel it.

The Natural Resource Defense Council in Washington, DC, said the organization may sue the state over the permit, if it's granted without more revisions to NRDC's liking.

But Peabody and state officials say the proposed pollution controls for the plant are already "state-of-the-art" and that the revisions will simply reinforce the environmental protections already in place.

Revisions to the permit would lower the limit on ozone-contributing nitrogen oxide pollution by 0.01 lb./mmBtu; add a 24-hour standard for sulfur dioxide pollution, in addition to a 30-day standard already in the permit; and

require Peabody to have a Compliance Assurance Monitoring Plan to specify how it will monitor for various air pollutants.

Peabody spokeswoman Beth Sutton said the revisions include a host of control technologies that will allow Peabody to meet or exceed "all ambient air quality standards designed

to protect human health and visibility."

The original permit for the plant was criticized by the US Environmental Protection Agency, National Park Service and Indiana Department of Environmental Management (CD 5/29/02).

June 20, 2002

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Revisions to pollution permit for Peabody plant released

By MARK WILSON, Courier & Press staff June 20, 2002

EVANSVILLE -- Environmentalists remain at odds with state and company officials about the pollution impact of a power plant Peabody Energy is seeking to build in Muhlenberg County.

Kentucky released revisions to its draft pollution permit Wednesday and reopened the project to public comment.

One thing the opposing sides agree on is that the environmental requirements of the revised permit aren't very different from the original.

"Essentially, as far as the environmental aspects, it is the same as the older version," said Beth Sutton, a Peabody spokeswoman. "It includes a suite of control technologies that will allow it to meet or exceed all ambient air quality standards designed to protect human health and visibility."

But environmentalists who believe the plant could be much cleaner and should be held to tighter standards are disappointed.

"I thought they were going to try to make the plant cleaner. Instead, they have used it as an opportunity for Peabody to submit more excuses for building a dirty plant," said an attorney specializing in air quality at the Natural Resource Defense Council in Washington, D.C.

"At this point I am not optimistic for our prospects for avoiding litigation on this plant."

The original permit for the plant came under fire from the U.S. Environmental Protection Agency and National Park Service, the Indiana Department of Environmental Management, as well as various national and regional environmental groups.

Peabody is proposing to build a 1,500-megawatt power plant near Central City. The Thoroughbred Generation Station will burn pulverized high-sulfur Western Kentucky coal.

The revised permit would:

- Lower the limit on ozone-contributing nitrogen oxide pollution by 0.01 pounds per million BTUs of heat.
- Add a 24-hour standard for sulfur dioxide pollution, in addition to a 30-day standard already in the permit.
- Require Peabody to have a Compliance Assurance Monitoring Plan to specify how it will monitor for various air pollutants.

July 26, 2002

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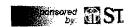
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Comments over power plant focus on jobs

By JOHN LUCAS, Courier & Press staff

July 26, 2002

GREENVILLE -- Jobs, not air quality, were on the minds of most of the 300 people attending a state hearing Thursday on a new coal-

fired electric generating plant proposed to be built here.

Peabody Energy has proposed to build a 1,500 megawatt generating plant near Central City. It is designed as merchant plant which would sell the power it generates outside Kentucky.

To be constructed adjacent to a new underground coal mine, the \$2 billion plant, which the coal company says will use the best available clean coal technology to reduce air pollution, would burn 6 million tons of coal annually and would generate enough electricity to power 1-1/2 million homes.

Peabody's Thoroughbred campus would provide some 450 permanent jobs at the mine and power plant.

The purpose of Thursday's hearing at Muhlenberg North High School was for the public to provide comment to the Kentucky Natural Resources and Environmental Protection Cabinet about the generating plant's smokestack emissions and its effect on air quality in the region.

The audience of mostly union miners and tradesmen, however, wanted to know about jobs. And they wanted assurances that Peabody would use local union labor as well as United Mine Workers of America to produce the coal.

UMWA organizer Steve Earle, a Muhlenberg County resident, said the coal company had sought the union's support, but he wanted assurances that union workers would be used.

He challenged Peabody representatives "to come up here (to the microphone) and tell us they're going to use local building and tradesmen to build that plant. Is Peabody willing to come up right now and say we're going to fuel that plant with UMWA coal?"

No Peabody representative responded to Earle, but Beth Sutton, a coal company spokesperson, said later no decisions had been made on hiring a construction contractor or on labor.

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"We would anticipate the majority of jobs will be local," she said, noting the company presently has more than 700 employees at mines in western Kentucky.

Elected officials in the area voiced their support for the project.

"I am confident that this is a project put together so it's not going to alter our air and water in a negative way," said Central City Mayor Hugh Sweatt. "Let's put these people to work."

Muhlenberg County Judge-Executive Rodney Kirtley and U.S. Sen. Jim Bunning both expressed support for the project by letter.

Some, though, expressed reservations about the company's commitment to air quality.

Rick McKee of Beaver Dam, noted the federal EPA has identified the proposed plant as the "largest emission source in all of Region 4."

He expressed concern about emissions of mercury and other heavy metals associated with power plants.

John Blair, president of the Evansville-based Valley Watch, said before the hearing he felt recent market changes would make it difficult for Peabody to acquire a partner to build the plant. The coal company has yet to announce partnership with a company experienced in electric generation to operate the plant.

Comments on the proposed facility will be accepted through Aug. 24.

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26 July 2002

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Peabody official says decision on workers is premature

26 July 2002

News

By <u>David Blackburn</u> Messenger-Inquirer

GREENVILLE -- A public hearing conducted Thursday night was supposed to talk about an air quality permit at the coal-fired power plant that Peabody Energy wants to build near Central City.

Instead, most comments included requests -- and some demands -- for assurances from Peabody that it would use union labor to build and staff the Thoroughbred Energy plant and the nearby underground mine.

Most of the 300 people that packed the Muhlenberg North High School cafeteria wore union T-shirts or sported "Local Plant, Local Jobs" stickers to the state Division for Air Quality hearing.

But it was one of the first speakers -- Roger Walcott, Peabody's executive vice president for corporate development -- who veered from the topic in praising the plant that is expected to create thousands of jobs.

"We will employ the best-qualified talent we can find," Walcott said.
"We anticipate the vast majority of that will come from the region."

Although it is being discussed, the labor decision is premature, he said.

"It's too early in the process for us to make specific decisions about how we will divide up the nie that may never be created." Walcott

Bracket Magic results

said.

His comments did little to appease many in the crowd, especially after months of talk that Peabody plans to use a nonunion Texas construction contractor to build the plant and a nonunion Peabody arm to mine the coal.

Delbert Lee Richie, a member of the United Mine Workers of America, was among several speakers who said local union workers made Peabody the world's top coal producer.

"Do not abandon the people who made it happen," said Richie, noting that he is asking for future generations of Muhlenberg Countians. "We will do an exceptional job."

Other speakers were more insistent.

Steve Earle, a UMWA political action director and lobbyist, said he and other union members attended the hearing at the urging of Peabody to show support for the project.

"Loyalty is not a one-way street," he said before challenging Walcott and other Peabody officials to publicly agree to use union laborers.

"If they want us to partner up with them, I think it's very appropriate for them to come up, and let's partner up right now," Earle said to loud applause.

Beaver Dam Mayor Bob Cox, who said all but two years of his 35-year mining career has been spent in Muhlenberg County, thought it "a damned shame" that the use of nonunion labor was even being considered.

He also urged Peabody and the unions to work out the issue.

"Try to do the right thing for the right reason," Cox said.

Unlike a February public hearing on the old draft air permit, some spoke out against the project.

John Blair, president of Evansville-based Valley Watch Inc., suggested that Peabody bought favors and permit approval through state campaign contributions.

He also listed potential environmental problems, such as the presence of mercury and other pollutants from coal-fired plants.

"We sit in the largest concentration of coal-fired power plants in the world," Blair said of the mercury run-off and the potential health

effects. "We need to stop it now."

In an odd twist, former union members spoke out against the project because of possible environmental problems.

Alvin Dukes, a retired Boilermaker, said Peabody would store large amounts of anhydrous ammonia at the plant.

A spill could be unhealthy, especially if the tanks that hold it fail because they were made by nonunion welders, Dukes said, drawing applause and laughter.

Back to top

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26 July 2002

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Columnists Opinion

Public comment period on the

Thoroughbred Energy plant

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<u>Terrorism</u> **Double Takes**

Special Archives Recent Articles

26 July 2002

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Real Estate Weddings

Popular Areas



Citizens' Reference Page

E-The People **MI ALERTS**

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Internet Directory

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Messenger-Inquirer

The state Division for Air Quality has extended the public comment period concerning the Thoroughbred Energy plant's draft air permit to Aug. 24.

Comments can be faxed to (502) 573-3787 or sent by e-mail to: donald.newell@mail.state.ky.us

Comments that are mailed in must be postmarked by 4 p.m. Aug. 24. They can be sent to: Kentucky Division for Air Quality, 803 Schenkel Lane, Frankfort, KY 40601.

Back to top

Louisville Courier-Journal

Louisville, KY Friday, July 26, 2002 A-11

USING COAL TO MEET ENERGY NEEDS

BY RICHARD J. SWEIGARD

The writer is chairman and professor at the University of Kentucky Department of Mining Engineering with a specialization in controlling the environmental impacts of mining, including reclamation and post-reclamation land use planning.

HIS WEEK there is a public hearing on Peabody Energy's permit application for the Thoroughbred Energy Campus, a proposed coal-fueled power

plant and underground coal mine in Muhlenberg County. A coal plant of this size hasn't been permitted in 20 years, so this project represents a significant step for the industry and for Kentucky. Earlier this year, faced by a proliferation of power-plant permit

development with community input.



Richard J. **Swelgard**

applications, the state legislature enacted legislation to set up a review board to make sure siting approval decisions are made in a way that combines energy needs and economic

Put all these factors together, and what we have is an opportunity to take a comprehensive look at Kentucky's energy needs, our coal

resources and how we use them.

All the signs indicate that our society's need for plentiful and reliable electricity will continue to grow, especially in an increasingly technology-based economy. Estimates by the U.S. **Energy Information Administration** indicate that Kentucky's energy demand could rise by 30 percent over the next two decades. The real question is not whether we need electricity, but how we meet that energy need.

In Kentucky we have abundant coal resources that can and should be used to provide jobs, economic development, and energy. Our coal reserves are the fifth largest in the nation - an affordable and secure energy resource that we can use in an environmentally responsible way.

The University of Kentucky's Department of Mining Engineering works with companies around the state and the nation to develop new and better ways to find coal and get it out of the ground, new and better ways to run coal-fueled facilities, and new and better ways to protect the environment and restore the land. For

example, we are currently involved in a major reforestation demonstration project funded by the U.S. Forest Service — with a number of the mining companies providing in-kind support - to reclaim mined lands for productive managed forests, providing jobs and economic value - and, not incidentally, sequestering large amounts of carbon dioxide from the atmosphere.

I've worked with Peabody Energy, and know their record of commitment to Kentucky and to reclamation. I've worked with other coal and power companies, too. They know that the future of their industry lies in making coal combustion increasingly clean while keeping it affordable. This approach has already resulted in substantial reductions in emissions, even as our use of coal has tripled.

Projects like Thoroughbred and others around the state that seek to use the coal we have ir ways that protect the environment should be encouraged, even as we keep looking for new and less resource-intensive technologies to generate power. Experience shows we can do all three: create jobs, keep electricity affordable and protect our environment.

Special to The Courier-Journal

July 24, 2002

Western Kentucky's Largest Weekly Newspaper

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THREE SECTIONS 48 PAGES PLUS SUPPLEMENTS

Thoroughbred Energy proposal driving

By Rita Dukes Leader-News Editor The plan to build the Thoroughbred Energy Campus in Central City has overcome hurdle after hurdle in its quest to gain a permit.

If built, the state-of-the-art coal-burning power plant will be the first of its kind in the nation—a new generation of technology unrivaled in the world. Still,



any new Kenny Allen venture.

The second public hearing re-

garding its environmental implications will be 6:30 p.m. July 25 at Muhlenberg North High Although the hearing will concentrate on environmental issues, it is anticipated that the topic of the labor force to build the plant will be brought up. That's not what the meeting is about, said Kenny Allen.

Allen, vice president of resource development and conser-

vancy for Peabody Group, said people have been putting "the cart in front of the horse" in regard to labor, which will be used to build the plant.

"We have don't have a contract with anyone," said Allen.
"And we need public support to get over this hill with the current environmental issue."

Tent environmental resur-Owensboro agribusinessman Billy Joe Miles, who addressed the Central City-Muhlenberg

vancy for Peabody Group, said County Chamber last week, said people have been putting 'the building the plant is the primary

"We've got to look down the road past when it's built," said Miles after the meeting. "I'm sure local labor will be used but the jobs and spin-off jobs it will create while it's being built and once it's built is crucial to this

Kei. A Board Trustee, said the university is considering a research facility to be located at the Thoroughbred site if it is built.

"Having that power plant here will make us niche," he added. 'It's a futuristic benefit for all the world over. When people talk about coal fired energy all over the world, they'll talk about Thoroughbred Ental and the company of the contact of t

Muhlenberg County Judge-Executive Rodney Kirtley believes the county's rich pool of qualified, skilled workers will be used to help build the plant.

"I believe the number of skilled workers we have in this county is important to this project," said Kirtley. "With the number of people it will take to build the plant, I believe they'll have to use our people."

posed.

Kirtley said the secondary or spin-off jobs and revenue created by the possible 2,500 workers required to build the plant will bring an economic revival to a county once rich in coal dollars now ranking high in unemployment figures.

Central City Mayor Hugh Sweatt and Kirtley have written letters to the editor in support of the plant which appear at the right on this page.

Kirtley said the new plant will not only be an economic boon to the county, it will be a Muhlenberg County landmark to the world.

"This is needed not only for us "said Kirtley "This is needed

for this nation. We will be sharing in this new technology. This will be the most advanced technology in the world — located here in the energy core of the world — why wouldn't we want

it here?"
Allen said the Thoroughbred
Energy Campus will be the first
coal-burning power plant in the
nation of significant size to be
built in 38 years.

He added that Kentucky currently enjoys the lowest electrical rates in the nation.

The Peabody Group released new data for the project which shows Thoroughbred will achieve a nearly 10 percent reduction in nitrogen oxide emissions over those previously pro-

Based on EPA environmental data, Thoroughbred will be the cleanest 1,500 megawatt coalfueled power plant east of the Mississippi River.

Its emissions of nitrogen oxides will be 84 percent below the Kentucky coal plant average while sulfur dioxide emissions will be 86 percent below the Kentucky average.

Virtually all particulates will be removed, according to information released by Peabody July 23.

The generating station will include two 750-megawatt units fueled by up to 6 million tons of coal per year produced from an adjacent underground mine. It would begin generating power as soon as 2005, and would provide enough electricity for 1.5 million fomilion

Leader-News, 7/24/02

Letters to the Bartor

To The Editor:

Peabody has been a good neighbor in our community for the past 50 years and is proposing a project that stands to benefit us for another 50 years. In my view, Muhlenberg County stands to hit an economic jackpot with development of the \$2.5 billion Thoroughbred Energy Campus. The project would create about \$700 million in new spending in Muhlenberg County

Thoroughbred will create local jobs for our area, including more than 450 permanent jobs and about 2,500 jobs at peak construction. The plant will also produce clean electricity. Thoroughbred's emissions will be well below what the Clean Air Act requires to protect air quality. And Thoroughbred will help us keep Kentucky's energy costs low using our own coal resources in an environmentally sound

For all these reasons, Thoroughbred will make a great new neighbor.

We have an opportunity this week to support the project by attending a public hearing at 6:30 p.m. on July 25. The meeting will be held in Muhlenberg North High School cafeteria, 501 189 Bypass Rd in Greenville. I encourage everyone to come out and show their support.

Sincerely, Rodney K. Kirtley Muhlenberg County Judge-Executive

To The Editor:
The state will hold a secpublic hearing on Peable Energy proposed Thorought Energy Campus on July 25. I gives our community another portunity to show support for benefits this project offers an eployment and economic boost, liable electricity at an affords cost, and a way to use our ocal while protecting our environment.

Thoroughbred will emp 2,500 workers at peak constrtion and will create more th. 450 permanent jobs that we win our community. Peabody I committed that the majority these jobs will go to local redents. Overall, Thoroughbred vinject nearly \$100 million Kentucky's coffers throut wages, fringes and taxes. In Whenberg County alone, we woulook forward to nearly \$700 million in new spending.

Thoroughbred will use M hlenberg County coal to generallow-cost power, helping keep o electricity costs low. At the sartime, the plant will be clean-time, the plant will be clean-time as of the Mississip. I hope to see you show suppror Thoroughbred by participaing in the hearing. The hearing will be held at 6:30 p.m. on Ju 25 at the Muhlenberg North Hig School cafeteria in Greenville, I cated at 501 189 Bypass Road look forward to seeing you then

Sincerel Hugh Sweatt, J Mayor of Central Ci

July 23, 2002

MylnKy

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Power plant comment period extended

By MARK WILSON Courier & Press staff writer 464-7417 or mwilson@evansville.net July 23, 2002

Kentucky officials are extending the public comment period on a proposed power plant in Muhlenberg County until Aug. 24.

The extension was made at the request of the Washington, D.C.-based Natural Resources Defense Council, which opposes Peabody Energy's Thoroughbred Generating Station.

However, a public hearing is still scheduled for 6 p.m. Thursday at Muhlenberg North High School cafeteria in Greenville, Ky.

Public sentiment was overwhelmingly favorable at a public hearing in February, despite criticism from the U.S. Environmental Protection Agency, National Park Service and Indiana Department of Environmental Management, as well as various national and regional environmental groups.

St. Louis-based Peabody is seeking to build the 1,500-megawatt power plant near Central City and designing it to burn pulverized high-sulfur Western Kentucky coal, much of which would be mined locally.

In response to those concerns, Kentucky Division of Air Quality planners have issued a revised draft permit. But environmentalists who believe the plant could be much cleaner and should be held to tighter standards are disappointed by the minor changes presented by the state.

St. Louis-based Peabody is seeking to build the 1,500-megawatt power plant near Central City and designing it to burn pulverized high-sulfur Western Kentucky coal, much of which would be mined locally. The revised permit would: Lower the limit on ozone-contributing nitrogen oxide pollution by 0.01 pounds per million Btu of heat. Add a 24-hour standard for sulfur dioxide pollution, in addition to a 30-day standard already in the permit. Require Peabody to have a Compliance Assurance Monitoring Plan to specify how it will monitor for various air pollutants.

The emission rates for nitrogen oxide and sulfur dioxide pollution in the revised permit will be about 85 percent lower than the average for other Kentucky power plants, said Beth Sutton, a Peabody spokeswoman.

David McIntosh, an attorney for the Natural Resources Defense Council, said that simply points out how dirty other Kentucky power plants are. Among the major issues that the revised draft permit still does not address to critics' satisfaction is the power plant's potential impact on regional ozone pollution - especially in areas to its north and east, such as Evansville, Owensboro and Louisville.

John Lyons, director of the Kentucky Division of Air Quality, said the latest version of the permit does not include coal washing as a pollution control.

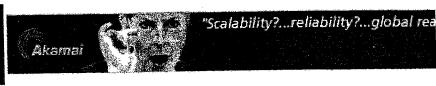
Coal washing is a process designed to reduce impurities in the coal before it is burned, in order to help reduce air pollution.

"The benefits you get from coal washing in terms of sulfur dioxide reductions don't seem to outweigh the potential for groundwater contamination from disposal of the slurry," Lyons said.

The public hearing will be at 6 p.m. Thursday at the Muhlenberg North High School cafeteria in Greenville.

July 21, 2002





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Homeland security for homeland coal: U.S. **Brownfield coal-fired development**

Source: Power Engineering Publication date: 2002-06-01 Arrival time: 2002-07-21

MORE THAN HALF OF THE NATION'S ELECTRICITY COMES FROM COAL, AND NEEDED ADDITIONAL CAPACITY IS BEING BUILT TO KEEP THE U.S. ELECTRICITY SUPPLY ADEQUATELY DIVERSIFIED. MOST OF THAT NEW COAL- FIRED CAPACITY IS BEING DEVELOPED AT BROWNFIELD SITES USING A VARIETY OF COAL TECHNOLOGIES.

Before being named Director of Homeland Security, Tom Ridge was known for his strong befief's in energy security too, as evidenced by the aggressive stance on energy matters he espoused as governor of Pennsylvania. That included lead0 ing the state toward competitive electricity markets and strongly supporting the development of new generating capacity in Pennsylvania, with a definite emphasis on fuel diversity.

Shortly before getting the call from President George W. Bush to assume the newly illustrating his belief that energy security requires fuel diversity. In June of 2001, Governor Ridge, state and local officials, members of governmental and conservation groups, and executives of ***Reliant Energy attended the dedication of the \$800 million, 521 MW Seward Power Plant in East Wheatfield Township, Pa. Seward is the first major coal plant to be built in Pennsylvania in 20 years.

Yet Seward is but one of more than 2,500 MW of coal capacity in construction, another 4,000 MW nearing construction, and about 18,000 MW in various stages of development tracked by Arlington, Va.- based Energy Ventures Analysis (EVA). Pennsylvania lawmakers aren't the only ones who realize that new capacity fueled by a stable coal supply is essential to hedge against the inherent price volatility associated with making virtually all new capacity dependent on natural gas. Regulators and lawmakers in Wisconsin, Illinois, Iowa, Kentucky, Wyoming, South Carolina, Louisiana and elsewhere are aggressively promoting diversification with coal.

Overwhelmingly, most of the new coal capacity is being built on brownfield sites - from Arizona Power's Springerville station in the west to Santee Cooper's Cross Unit 3 in the east, and from & Wisconsin Energy's Oak Creek plant in the north to NRG's Big Cajun II in the south. The preference for brownfield development centers on existing permitting coupled with the presence of infrastructure such as rail or barge, water and transmission access. For new coal plants under development, brownfield add-ons such as these four dominate, followed by replacements such as Seward, with greenfield sites such as Peabody's 1,500 MW Thoroughbred plant in Muhlenberg County, Ky. trailing a distant third, says Seth Schwartz, who tracks coal development for EVA.

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In addition, most new coal capacity is being built by regulated utilities or public power entities possessing a solid customer base and benefiting from an all-but-assured cost recovery mechanism. Yet several new players are emerging, including Peabody Energy, EnviroPower, Westmoreland Energy, LS Power and National Energy Group.

EVERYONE WINS

When it goes on line in May of 2004, Seward's 521 MW will displace the existing 196 MW of coal capacity at the site, while emitting less sulfur dioxide, nitrogen oxide and particulate. And over its 40-year lifetime, the plant will consume 100 million tons of waste coal that for decades has polluted Pennsylvania's Kiskiminetas-Conemaugh watersheds.

Each day Seward operates - and with a projected capacity factor of 90 percent that will be just about every day - the plant will be reducing mountains of waste coal from the Pennsylvania landscape, diminishing - and eventually eliminating - a significant source of acid discharge to area rivers. Alkaline ash produced by the plant's two circulating fluidized bed (CFB) boilers, will be returned to many of the waste-coal sites to neutralize any remaining acids. Seward's CFB combustion will allow it to burn the waste coal that has accumulated within a 30-mile radius of the plant over nearly a century of heavy industrial activity, including steel manufacturing. General contractor ALSTOM Power designed the plant incorporating its CFB technology.

The waste coal is cheap and the net plant heat rate of 9,700 Btu/kWh compares favorably to plants burning bituminous and anthracite coals. The waste coals in the area will be blended to provide a consistent fuel to the boilers. The average fuel quality is 5,500 Btu/lb, 2.75 percent sulfur and 50 percent ash. Seward will be impervious to the price volatility of natural gas, which in recent years has ranged from less than \$2.00/MMBtu to as high as \$30.00/ MMBtu. That's because there is at least a 40-year supply of waste coal to fuel Seward. And to top it all off, the plant will reportedly become the first merchant plant ever built to use solid fuel. The plant will dispatch to the Pennsylvania-- New Jersey- Maryland market at well below the grid average.

The 521 MW Reliant Seward plant is reported to be the first merchant plant ever built to use solid fuel. Photo courtesy of ***Reliant Resources.

"This is the first solid fuel plant built for the merchant market in the world," says Reliant Resources' Mike Proffit, Project Engineering Manager of the Seward Repowering Project "We are not a regulated utility building to sense our own load and do not have a power purchase agreement. This plant was justified with a merchant market. We also believe it is the largest power plant designed to run on 100 percent waste fuel and we expect to do that."

Reliant owns about 30 other fossil plants that feed to the Pennsylvania, New Jersey and Maryland (PJM) electrical transmission system, but Proffit says the new Seward unit will have the lowest variable cost of any fossil-fueled plant in the system. "Seward will dispatch before other coal burning plants because we bum low grade, low cost fuel. If we didn't beat them in dispatch order, we wouldn't be run at baseload capacity."

Yet the broad flexibility afforded by CFB technology at Seward is not limited to burning waste coals or other derivative fuels such as petroleum coke. ALSTOM is building a nearly identical CFB unit for East Kentucky

Power Cooperative - the 268 MW E.A. Gilbert unit at the H.L. Spurlock Station near Maysville, Ky., where a 500 MW coal unit built in 1981 already operates. There are no design differences between the Seward CFB and the Gilbert unit. Commercial operation for Gilbert is expected in December of 2004.

Craig Johnson, project manager for the Gilbert unit, cites the flexibility afforded by CFB combined with the fact that it is a very clean coal technology as the two main factors for choosing it. Because the plant will burn various bituminous coals from several local Kentucky mines with heating values ranging from 10,215 Btu/lb to 12,502 Btu/lb - and sulfur content ranging from 1.5 percent to 4.5 percent - the CFB boiler will provide Gilbert with greater operating flexibility and efficiency while minimizing S02 and NO, emissions through the use of in-furnace control techniques. Power from this unit will be sold to the 16 cooperatives that own the project to serve their native load.

The Seward and Gilbert installations will be the first U.S. plants to use ALSTOM's Flash Dryer Absorber (FDA) system, which integrates several flue gas desulfurization functions into one unit to achieve 90 percent S02 removal or better, regardless of the sulfur content in the fuel.

Compared to conventional dry FGD systems equipped with rotary atomizers or dual fluid nozzles, the FDA process requires no rotary atomizer with its high-speed machinery, nor are there any dual fluid nozzles requiring compressed air. Power requirements for the FDA recycle/reagent mixers are much lower than for the corresponding items in a conventional dry FGD system.

Other major component providers for Gilbert include ... GE (turbine/ generator), ***Thermal Engineering and Yuba (condenser and feedwater heaters), Flowserve (boiler feed and condensate pumps), Ecodyne (deaerator), and Gould/ITT (circulating water pumps).

PULVERIZED COAL BOILERS

The good news for the coal-fired power industry goes well beyond CFBs in Pennsylvania, Kentucky and elsewhere. It also includes subcritical and supercritical boiler technology being used to expand and repower coal-fired facilities across the U.S.

Seward's lifetime fuel supply will be waste coal taken from a 30- mile radius of the plant. Photo courtesy of Reliant Resources.

New Coal Generation will Clean Pennsylvania's Rivers

For close to 100 years, the Conemaugh River was dead due to the impacts of mining, steel making and other industries in the area. However, in recent years the Conemaugh River has been on the road to recovery. The benefits of the Federal Clean Water Act and the Pennsylvania Clean Streams Law, along with the dedication of local watershed organizations, are showing positive results. Fish and other aquatic life are returning to the river, but a lot of cleanup work remains. One of the remaining major problems are the mountains of waste coal located near the Conemaugh River watershed. Rain hits the piles and seeps through, removing heavy metals and producing a low-pH runoff. Removal of this waste coal will go a long way toward bringing the Conemaugh River watershed back to the pristine conditions of the early 19th century.

"We're going to benefit the watershed in two ways," says Reliant's Proffit.

"Number 1, we're going to burn that waste, so it will be gone. Number 2, when you burn it in a CFB, you mix it with limestone to capture the sul\fur. That limestone doesn't get totally used. So with all the remaining limestone in it wher it comes out, you have alkaline bottom ash and fly ash."

The ash from the process is rated as a beneficial ash by the state of Pennsylvania. He explains that mixing CFB ash with waste fuel at a waste fuel site neutralizes the remaining waste fuel.

Profit says there are lots of other potential sites for similar projects, but with fuel nearby and existing permits, Seward was the perfect site.

MidAmerican Energy Company is building a 750 to 900 MW addition to the Council Bluffs Energy Center in Iowa, site of three existing coal units with a combined capacity of 806 MW. Scheduled for service in 2007, the plant is a direct response to lowa's bipartisan effort to encourage construction of new electric generation in the state.

"One of the most critical economic development issues facing lowa is the availability of affordable electricity for lowa businesses and consumers," said Gov. Tom Vilsack. He said MidAmerican's plans to generate additional electric power in lowa will have a significant positive impact on lowa's economy.

In 1997, Mid-- American built a railway to provide competitive mine-- toplant access to low-sulfur Powder River Basin coal. Competitive rail access, the existing site infrastructure and a well- trained work force on site, were key factors that played a role in the decision to expand the CBEC site. Project manager Steve Brewer says the company believes the addition of a new coal-fueled facility to MidAmerican's generation portfolio represents an appropriate balance between the needs of customers and respecting the needs of future generations.

"We currently anticipate utilizing the best available emissions control devices including a cyclone collector or small hot ESP to remove a majority of the particulate, and plan to use an SCR, dry scrubber and baghouse," he says. The PRB coal will average 8,400 Btu/ lb. He notes that MidAmerican presently sells more than 50 percent of the fly ash the company's plants produce and is looking for a market for the dry scrubber waste the new plant will create.

WISCONSIN'S POWER THE FUTURE

Wisconsin is another state committed to developing more domestic energy for a growing local economy without putting all its eggs in the natural gas basket. Wisconsin Energy's Power the Future program calls for the addition of 2,800 MW of new capacity, two-thirds of it composed of three new 600 MW coal-- fired units at the Oak Creek plant. WE's generation fuel mix is presently 20 percent nuclear, 60 percent coal and 20 percent gas. Capacity factor for its coal units is currently in the mid-70 percent range. The new units will run at 85 to 90 percent capacity. Natural gas units are used primarily for peaking.

"The fuel diverse solution that we have proposed will save our customers about \$8 billion over the 35 to 40 year lifetime of the new plants compared to what the same amount of power would cost if all 2,800 MW were from natural gas," says WE spokesman Mike John. "And that's without compromising environmental standards. It's really a cool opportunity energy policy and environmental policy in balance - by doing the right things with technology and fuel choice selection."

Two of the three new 600 MW units will utilize supercritical boilers, chosen primarily because they will emit less carbon dioxide per MW produced than other pulverized coal technology. "We have chosen to go the supercritical route because it's a mature reliable technology and the only way you can address C02 is through efficiency," says AI Mihm, director of engineering for WE Power. "Incrementally, it helps on all emissions," he says, referring to the impact the high thermal efficiency has on reducing the rate of all stack emissions.

WE's plan also illustrates a range of coal technologies. The third new 600 MW unit will use gasified coal in a combinedcycle power plant similar to the company's planned Port Washington natural gas-fired plant. "Integrated gasification combined cycle (IGCC) is a technology that shows great promise," says Mihm. "Diversity in coal technology goes hand in hand with diversity in fuel type as the cornerstone of our proposal."

MERCURY

"You will see so much more reference by us in this state to mercury than elsewhere because it is a big issue here," says John. "It's entirely possible we'll see rules set that are more challenging than federal ones and that means we have to be on the forefront of this."

WE has filed its citing permits to use bituminous coal in its new units. "But we are currently evaluating both bituminous and sub- bituminous because we'll be very aggressive about removing mercury with our new generation," says John. EPA has announced it will regulate emissions from coal plants, with final compliance by December 2007.

The choice of coal is significant because of differences in how bituminous and sub-bituminous coals respond to mercury mitigation technologies. "With bituminous coal, the mercury comes out in an oxidized form that's water soluble," says Mihm. "Industry data suggest that if you run your flue gas through a baghouse and wet scrubber, you remove, along with the particulate and 502, 80 to 90 percent of the mercury. With sub-bituminous coal, the mercury comes out of the boiler in an elemental form - as a mercury gas - which is not water-soluble. Therefore, only 5 to 10 percent of the mercury is collected by a baghouse and scrubber."

Little wonder that WE has become a major test site for one of the leading mercury control technologies. Last summer, the world's only full-scale mercury removal tests to-date using sub-bituminous coal were run at WE's Pleasant Prairie coal plant. The tests, conducted by EPA, DOE, EPRI and ADA Environmental Solutions, evaluated activated carbon and other, potentially less expensive sorbents for mercury removal. "Although those test results are preliminary, they give us some confidence than we can continue looking at sub- bituminous coal for our new units," says Mihm. "Sub-bituminous coals are generally lower in cost and produce a flyash that can be readily used as a cement admixture mitigating any landfill requirements."

A super-critical 750 MW fourth unit will be operational at NR Big Cajun H site in Louisiana by 2006, joining the three 575 MW units already at the site. Photo courtesy of NRG.

BIG CAJUN WILL GET BIGGER

Minneapolis-based NRG is another U.S. company adding a new supercritical coal-fired unit at a brownfield site. Preliminary construction is underway for a 750 MW fourth unit at the Rig Caiun II site in New Roads

andorway for a 700 mer fourth and at the Dig Oujun Holle in New House, La. The site already has three 575 MW coal units built between 1980 and 1983. The new Big Cajun unit will become operational in May of 2006. Like the first three Big Cajun II units, Unit 4 will use low-sulfur Powder River Basin coal from Wyoming, averaging about 8,400 Btu/lb and less than 0.5 percent sulfur.

Maintaining fuel diversity and providing lower costs to Louisiana customers are the reasons cited for adding additional coal-capacity in lieu of natural gas capacity, says Alan Williams, vice president of NRG's south central region. Williams says high efficiency, lower emissions per kWh produced, and improved cycling characteristics are the reasons for choosing a supercritical boiler design.

NRG, in a move consistent with new coal-fired generation being cost competitive in competitive wholesale power markets, is applying for exempt wholesale generator status. "We expect the cost to be very competitive and much less volatile than power generated by gas," says Williams. "Power sales discussions are ongoing at this time. Some of the power will go to meet load growth of our exiting customers."

Current environmental limits on the three existing Big Cajun units are 0.50 lb/MMBtu NO, and 1.2 lb/MMBtu SOX Although Louisiana's department of air quality has issued new NO, RACT (reasonably available control technology) regulations for the ozone season at 0.21 lb/MMBtu for coal units effective May 2005, the new unit is expected to achieve emission levels of 0.10 lb/MMBtu NO. and SO^sub x^. The existing units at Big Cajun are being retrofitted with low-NOx burners and over-fire air.

KINSHIP, ASSOCIATE EDITOR

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Publication date: 2002-06-01

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Herald-Leader, 7/21/02

No suitable suitors for Mammoth area By Sharon Roggenkamp CONTRIBUTING COLUMNIST

Imagine an undiscovered Dickens novel about the guardian of a beautiful woman who consults a lawyer about the suitability of her fiance. Describing her spectacular wealth and lovely temperament, he lists the grand dreams of the prospective groom. The adviser listens intently, as complex prenuptial clauses protecting the bride begin to form in his mind. He sternly raises a finger silencing his client.

"Better to keep them apart forever than create a bond forged from burlap twine and ivory lace. Send your fortune hunter away and leave her upon the pedestal she holds."

Tossing this one and only attempt at really bad fiction into the wastebasket, here's a true story about the shotgun wedding between the city of Oakland and Warren County's proposed Trimodal Transpark industrial site, which is 9 miles from Mammoth Cave. It's a saga of marathon zoning hearings and lawsuits guaranteed to earn a wedding consultant disaster pay.

Before taking the final vows sealing the city and the site's geographical fate, captains of industry should take a good hard look at the bride, a social butterfly attracting 2 million visitors a year. The courtship skirts a delicate environmental condition requiring full time vigilance.-

"We're a Class I area, which means we're one of the most pristine areas in the country for air quality," said Bob Carson, a Mammoth Cave air-quality specialist.

The new transpark, in combination with another suitor, the coal-fired Thoroughbred Generating Station lurking 50 miles away, will add more guests to the bride's already overcrowded regulatory list. As officials swear to keep pesky new emissions away, she's flirting with added pollution from mobile sources that aren't "really covered. I'm curious how the transpark will fit into all that. They will have to use ingenious ways to overcome any problems with the standards," Carson said.

Serious industrial prospects on a fast track should evaluate their financial ability to maintain those standards. The park's five-year, \$29 million budget for upgrades includes rainwater runoff filters to keep pollutants from draining into the area's delicate ecosystem, which may convince some to decline attending the wedding.

The controversy has brought professors at Western Kentucky University down from their ivory tower. Some have entered city council races, imploring consideration of alternate sites in the already contaminated Lost River Basin in southern Bowling Green.

The prince protectorates of karst terrain gloomily agree on one thing: WKU President Gary Ransdell's support for their right to speak out as private citizens, says geology professor Ken Kuehn.

"The project is so huge, it should reflect the talents and energy of the entire community. The current transpark proposal is a vision from the Eisenhower interstate era using tanker cars and tractor trailer trucks," he said.

It is believed that conservationist John Muir died of a broken heart in 1914 when Congress passed legislation to flood Hetch Hetchy valley for a San Francisco reservoir, recalls Yosemite National Park Ranger Scott Gediman. Public tax dollars deserve to be spent on economic development with a heart and a conscience.

Officials remain fiercely optimistic about a reverse engineering plan long on promises and short on science. Don Cherry, president of ITA, the transpark land acquisition arm, agrees that the cave is important.

Herald-Leader, 7/21/02

"I want to protect it and will protect it," he said.

Guarantees to protect fragile watersheds are humanly naive; the effects of accidental invasion of any of the cave's colorfully named passages -- the Corkscrew Exit or Bottomless Pit -- will be permanent. While environmentalists anxiously wait on the Bridges of Sighs, city and county officials should tour the Valley of Humility to trade up for a project capitalizing on the national park and WKU's rich science and engineering resources. Improving Kentucky's low rating in science and engineering on its new-economy report card is a better plan for creating jobs.

An 1880s Scribner magazine article is priceless as testimony to what's at stake:

- "'Are any of them,'" I asked, 'equal to Mammoth Cave?'
- "'No siree,' responded Jehu, with a crack of the whip that made the leaders prance. 'What's your notion about it, Judge?'
- '"I have visited the chief caverns of the West,' replied the judge, 'and in my opinion going from any one of them to Mammoth Cave is like exchanging a log cabin for a palace.'"

Economic opportunists should leave this palace alone and go back to the drawing table. A lot of people will love them a whole lot more, and they won't get trapped in Dante's Gateway.

Sharon Roggenkamp of Georgetown is a homemaker. Reach her by e-mail at wrenvale@bellsouth.net.

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July 18, 2002

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Plant Impact Still Ticks Off Critics

Source: Evansville Courier & Press Publication date: 2002-06-20 Arrival time: 2002-07-17

Environmentalists remain at odds with state and company officials about the pollution impact of a power plant that ... Peabody Energy is seeking to build in Muhlenberg County, Ky.

Kentucky released revisions to its draft pollution permit Wednesday and reopened the project to public comment.

One thing the opposing sides agree on is that the environmental requirements of the revised permit aren't very different from the original.

"Essentially, as far as the environmental aspects, it is the same as the older version," said Beth Sutton, a Peabody spokeswoman. "It includes a suite of control technologies that will allow it to meet or exceed all ambient air quality standards designed to protect human health and visibility."

But environmentalists who think the plant could be much cleaner and should be held to tighter standards are disappointed.

"I thought they were going to try to make the plant cleaner. Instead, they have used it as an opportunity for Peabody to submit more excuses for building a dirty plant," said David McIntosh, an attorney specializing in air quality at the **Natural Resource Defense Council in Washington, D.C.

"At this point I am not optimistic for our prospects for avoiding litigation on this plant."

The original permit for the plant came under fire from the U.S. Environmental Protection Agency and ... National Park Service, the Indiana Department of Environmental Management, as well as various national and regional environmental groups.

Peabody is proposing to build a 1,500-megawatt power plant near Central City, Ky. The Thoroughbred Generating Station will burn pulverized highsulfur "dirty" Western Kentucky coal.

"Our view is that Thoroughbred is an extremely strong project that will achieve energy, environmental and economic goals for Kentucky," Sutton said.

"It strikes a balance between meeting the energy needs and the state's environmental needs."

The emission rates for nitrogen oxide and sulfur dioxide pollution in the revised permit will be about 85 percent lower than the average for other Kantualar namer planta Cutton soid



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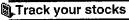
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The revised permit would:

- * Lower the limit on ozone-contributing nitrogen oxide pollution by 0.01 pounds per million BTUs of heat.
- * Add a 24-hour standard for sulfur dioxide pollution, in addition to a 30-day standard already in the permit.
- * Requires Peabody to have a Compliance Assurance Monitoring Plan to specify how it will monitor for various air pollutants.

The revised permit also expands the explanations for the pollution control technologies that it will use, said Diana Andrews, assistant director of the Kentucky Division for Air Quality.

The federal Clean Air Act requires new power plants to use the best available control technologies for reducing pollution. However, there has been disagreement on what that is.

Environmentalists have criticized Peabody's reluctance to use technologies that burn coal cleaner, instead of relying on pollution controls after the fact. Peabody has also refused to use a process called coal washing to reduce impurities in the coal before it is burned.

"It's our feeling that their choice of pulverized coal is how they plan to build the plant and the control technologies are a separate issue," Andrews said.

John Blair, head of Valley Watch, an Evansville-based environmental group, disagreed.

"That is not what best available control technology is supposed to be about. It is supposed to encourage new technologies not add controls to old technologies."

Blair also noted that the revised draft permit still does not include an air quality analysis or preconstruction monitoring of ozone pollution.

A new public hearing on the draft permit will be at 6:30 p.m. July 25 at the Muhlenberg North High School cafeteria, 501 189 Bypass Road, in Greenville, Ky.

Publication date: 2002-06-20

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July 17, 2002





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July 15, 2002

Peabody Energy names committee

Peabody Energy said July 3 that it has created a nominating and corporate governance committee that, now that most Peabody shares are owned by the public, will recommend any new appointments to Peabody's board of directors.

Lehman Brothers took Peabody public a couple of years ago and since then has been reducing its stake in the company. Peabody noted that the public now owns most of its shares following an April secondary offering of stock by existing shareholders. The committee, besides recommending new board members, will also advise the board on how to best serve the interests of shareholders.

Committee members include Dr. Blanche Touhill of the University of Missouri, Williams James of RockPort Capital Partners LLC, and Alan Washkowitz of Lehman Brothers Merchant Banking Partners II LP.

Three coal projects apply at new Kentucky siting board

hree of the four pending applications at the Kentucky State Board on Electric Generation and Transmission Siting involve coal-fired projects that have been around for a while.

Kentucky this year created the board, which is an adjunct to the state Public

Service Commission, to handle a big influx of plant applications that began a couple of years ago. After the board's creation, Gov. Paul Patton dissolved a moratorium on new plant applications.

The first project to file a complete application with the board was EnviroPower's Kentucky Mountain Power project in Knott County. The 520-MW plant, fueled mostly by waste coal, will be at the Starfire mine of Horizon Natural Resources. Larry Addington, the former owner of Horizon (formerly AEI Resources), controls EnviroPower. Of note is that Horizon will continue the leases it has with EnviroPower (see story this page).

Under the law passed by the Legislature that created the board, it has 120 days

to make a decision on any application. The deadline for any party to ask to be an intervener in the Kentucky Mountain case is July 15, which is 30 days after the filing.

Other coal applications are from:

- Thoroughbred Generating Co. LLC, a Peabody Energy unit that wants to build a 1,500-MW plant in Muhlenberg County.
- Estill County Energy Partners LLC, which plans a waste-coal plant in Estill County that will use atmospheric fluidized-bed combustors to keep down pollution. Plant capacity would be 110 MW

Estill is in Lexington, Ky., at 859-263-1652.

Peabody completes sale of Indiana rail to Norfolk Southern

Peabody Energy has completed a sale of rail assets—chiefly 20 miles of rail line in Warrick County, Ind.—to Norfolk Southern.

Purchase price was not disclosed.

"Because companies [such as Peabody] that hold federal leases are prohibited from serving as common rail carriers, the transaction is expected to provide expanded customer access for the nearby Yankeetown Dock, owned by Peabody," the coal company said.

Peabody would be open to now taking third-party coal through Yankeetown, a company spokesman said. He couldn't say what coal producers, if any, might be interested in that.

At the same time, the Surface Transportation Board has signed off on an arrangement in which NS has agreed to grant "non-exclusive local trackage rights" to Indiana Southern Railroad over 21.9 miles

of rail line between Newburgh, Ind., and Peabody's old Lynnville mine.

"The purpose of the trackage rights is to allow ISRR to enhance service for certain shippers and provide more efficient and economical routings and service for their traffic," the STB said in the July 1 filing. Peabody shut Lynnville in December 1999 in favor of switching business over to the non-union **Black Beauty** operations. The mine permit for Lynnville is officially on inactive status, so it is still valid. Peabody has said it could restart the mine if business develops for it.



"Todd, Dale (Superintendent)" < dtodd@Mberg.k12.k y.us> $\hbox{To: ThoroughbredEnergy/STL/Peabody@PeabodyEnergy}$

cc:

Subject: Muhl. County Plant

07/12/2002 12:49 PM

I just wanted to email and thank Dianna K. Tickner for the letter I received today by mail. It was informative and gave me a feeling of excitement to better understand what this plant can do for Muhlenberg County.

I plan on being at the Public Hearing scheduled on Thursday July 25th at North High School. As Superintendent of Schools, I want to pledge my utmost support for your efforts in bringing this plant to Muhlenberg County.

If there is anything that I can do to help support this endeavor, then please do not hesitate to ask. You are welcome to use any of our buildings for meetings or any services that we can provide that would assist your efforts. Good luck and thanks again.

Sincerely,

DALE TODD SUPERINTENDENT MUHLENBERG COUNTY SCHOOLS

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July 10, 2002

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Opponents of proposed power plant want time to review documents

By MARK WILSON, Courier & Press staff July 10, 2002

EVANSVILLE -- Opponents of a proposed power plant in Muhlenberg County are hoping for more time to review what could be thousands of pages of information previously unavailable to the public.

The papers are apparently memos from Peabody Energy supporting its permit application, but filed after the comment period on the original permit closed in February.

On June 19th, Kentucky officials released a revised air pollution permit for the plant and reopened it to public comment.

John Lyons, director of the Kentucky Division of Air Quality, said the agency is reviewing a request by the Washington, D.C.-based National Resources Defense Council to extend the public comment period by several weeks.

The comment period allows individuals, organizations and even governmental bodies to have a say on the proposed permit. Kentucky then reviews and responds to public comments, making any changes it believes necessary to the permit.

Peabody Energy is proposing to build a 1,500-megawatt power plant near Central City. The Thoroughbred Generation Station will burn pulverized high-sulfur Western Kentucky coal.

Vic Svec, a Peabody spokesman, said the company doesn't believe the additional time is necessary, but that the decision belongs to the state.

"We believe this has been a very open process that has occurred," Svec said.

He said the fact that a second comment period is being offered is a sign that Kentucky's system of public participation is working.

July 9, 2002

Three coal projects apply at new Kentucky board

hree of the four pending applications at the Kentucky State Board on Electric Generation and Transmission Siting involve coal-fired projects that have been around for a while.

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Coal Daily, 7/9/02

In Brief . . .

Arch Coal will hold a conference call on July 18 at 11 a.m. EDT to discuss its second quarter financial results. The call will be hosted by president and CEO Steven Leer and CFO Robert Messey. The conference call will be accessible via the Internet from the "investor" section of Arch's Web site.

The board of directors at **Peabody Energy** has established a nominating and corporate governance committee,

July 8, 2002

Louisville Courier-Journal

Louisville, KY Monday, July 8, 2002

'RELIABLE ENERGY'

In response to a June 24 letter. I'd like to provide clarification about Peabody's proposed Thor-oughbred Energy Campus planned for Muhlenberg County. Thanks to a collection of ad-

vanced coal technologies to protect air quality, Thoroughbred will be the cleanest coal-fueled plant of its size east of the Mississippi River. In fact, the plant will over-comply with America's

Letters to the editor are welcomed. They should be addressed to:

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cjletter@courier-journal.com Letters can also be faxed to us at: (502) 582-4155.

Best-read letters are under 200 words and on topics of general interest. A letter must be original and contain the signature, address and daytime telephone number of its writer. The editors reserve the right to condense or reject any letter and to limit frequent writers.

stringent Clean Air Act standards designed to preserve air quality and scenic views. Concerns about the plant's potential impact on Mammoth Cave raised earlier this year were based on data that was in error. The data have been modified and augmented with additional modeling to ensure the park will be protected.

Thoroughbred would generate affordable, reliable electricity for 1.5 million households to ensure Kentuckians continue to enjoy the lowest electricity prices in the nation. Thoroughbred will also employ up to 2,500 workers at peak construction, most of whom will be local, and will provide about 450 permanent jobs. At the same time, it will help drive economic growth, injecting nearly \$100 million into the Kentucky economy each year.

We look forward to developing a project that we can all be proud of.

VIC SVEC Vice President of Public and Investor Relations Peabody Energy St. Louis, Mo. 63101

April 29, 2002

Electric Utility Week, 4/29/02

KY. LAWMAKERS GRANT STATE AUTHORITY OVER SITING MERCHANT POWER PLANTS

On the final day of their regular 2002 session on April 15, Kentucky lawmakers finally came together to unanimously pass legislation giving the state authority over the siting of merchant power plants.

Senate Bill 257 was approved 93-0 by the Democrat-controlled House of Representatives and sent to the Senate for concurrence. The vote in the Senate, where Republicans are in the majority, was 35-0 in favor of the measure and Kentucky Gov. Paul Patton signed S.B. 257 into law on Wednesday, April 24.

"We got a good bill," said Republican State Rep. Jon Draud, who authored competing legislation that eventually formed the basis for a compromise with Republican State Sen. Ernie Harris, chief sponsor of S.B. 257. Added Tom Dorman, executive director of the Kentucky Public Service Commission: "A large part of pursuing this legislation was to establish a siting process for merchant power plants."

The legislation was prompted by the proliferation of merchant power applications in Kentucky. Since late 1999, 29 applications — most for merchant plants — have been filed with state agencies, including the Kentucky Natural Resources and Environmental Protection Cabinet. Eight electric generating plants either are under construction or have been completed. Because it carries an "emergency" provision, S.B. 257 would take effect immediately.

The new seven-member power siting board has the final say on whether to approve or disapprove a particular site for a merchant power plant. The board will be appointed by the governor and will consist of the three Public Service Commission members, representatives from the state Economic Development Cabinet and Natural Resources and Environmental Protection Cabinet, and two ad-hoc members.

Any regulated or unregulated company wanting to build a merchant project in Kentucky will be required to go before the board. Regulated utilities proposing to construct electric generating plants that would be placed in rate base still will report to the Kentucky Public Service Commission. The Natural Resources Cabinet will be given expanded authority, including requiring utilities to perform cumulative assessments about the need and environmental impact of the proposed project.

Municipal utilities will be exempt from the legislation unless they plan to build or operate merchant power plants.

Amendments included at the last minute will exempt specific projects, such as East Kentucky Power Cooperative's proposed 268-MW, coal-fired Gilbert addition at its 800-MW Spurlock coal plant at Maysville. East Kentucky, a Winchester-based generation and transmission co-op, already has received state approval for the Gilbert unit and will not have to wait to begin construction despite a six-month moratorium imposed Jan. 11 by Patton on new power plant construction or permits.

Harris said the bill "provides a level playing field for anyone who wants to build a power plant in the future...and local folks have a tremendous input into the (siting) process."

April 26, 2002

MylnKy

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Lawmakers lobby EPA to support power plant

By MARK WILSON, Courier & Press staff April 26, 2002

EVANSVILLE -- Three Kentucky congressmen are asking the U.S. Environmental Protection Agency to help support a proposed power plant in Muhlenberg County.

"We do hope you will work with all concerned to help make this plant a reality," concluded a letter copied to other Bush administration officials, including senior presidential adviser Karl Rove.

Republican congressmen Ron Lewis, Ernie Fletcher and Ed Whitfield -- whose district includes Muhlenberg County -- sent the letter Wednesday to EPA chief Christine Todd-Whitman, complaining about official comments made on Kentucky's proposed permit for Peabody Energy's Thoroughbred plant.

Whitfield and Fletcher are on the House Committee on Energy and Commerce, one of several congressional committees overseeing the EPA.

"They are hopeful that the plant will be built," said Jeff Miles, Whitfield's press secretary. The letter criticizes EPA employees for official comments submitted on Kentucky's proposed permit and for speaking to news reporters about those comments, part of the public record.

"Copying Karl Rove makes my case for me, that this is becoming a decision that will be made purely in the political arena," said John Blair, of Valley Watch, an Evansville-based environmental group. "This is clearly a letter that is written to intimidate Whitman. This was her EPA that wrote those comments."

EPA officials questioned Kentucky air quality officials and Peabody for not justifying their proposed use of conventional technology to burn Mulhenberg-county mined coal with high-sulfur content.

"At a time when cleaner coal technologies are emerging and other types of electric power generating technologies with lower emissions are available, Peabody has proposed an older pulverized coal design that will be installed at a facility that could be in operation for 50 years or more," wrote Kay Prince, chief of the Region 4 Air Planning Branch.

Other inadequacies in Peabody's application and Kentucky's proposed permit were also noted in the regional EPA comments.

"Unfortunately, EPA's Region 4 office in Atlanta appears to have a blas against fossil fuels and even clean coal technology power plants ... it is our information that Peabody has unequivocally agreed to use the best available commercial technology," the congressmen wrote.

"We do not believe it is the responsibility of EPA to determine which fuel or design should be utilized. It is the responsibility of the agency to determine if the applicant meets federal requirements, whatever the fuel or design may be."

The congressmen further wrote that "EPA should be less confrontational and more objective as efforts are being made to replace old coal burning facilities."

However, Blair noted that no existing coal-burning power plants are being replaced by Peabody's proposed power plant.

The National Park Service, concerned about the power plant's impact on Mammoth Cave National Park, also has criticized the proposed permit for not requiring coal washing, which would reduce sulfur content before it is burned.

Peabody officials have said their proposed pollution controls will make it unnecessary. Peabody contends the proposed 1,500 megawatt power plant will be one of the cleanest in the East, with pollution emissions significantly lower than most.

April 24, 2002

Coal Trader, 4/24/02

Peabody eyes Kentucky air permit

ow that the Kentucky Legislature has passed a power plant siting bill, **Peabody Energy** hopes to have an air permit issued by April 28 for its Thoroughbred power plant in western Kentucky.

Months ago, Gov. Paul Patton froze issuance of air permits for new coal plants in the state so the Legislature could come up with a better permitting procedure that takes into account the number of new plants being permitted. Permit work con-

tinued on existing applications, such as Thoroughbred, in the meantime.

The siting bill just passed in a "veto" session of the Legislature sets up the needed permit system, said Jacob Williams, Peabody's vice president for generation development.

Williams, speaking April 23 at the Platts Coal Properties & Investments Conference, pointed out that the turmoil in financial markets after the Enron bankruptcy

pushed Peabody out of the hunt for a partner to build the plant.

Capital has been hard to find for power developers.

Peabody concentrated on the plant permit process in the meantime. Now the partner hunt is getting back into gear, Williams said.

Thoroughbred is a 1,500-MW plant to be located at a new, 5.6-million-ton/yr mine at Peabody's Gibraltar complex.

April 22, 2002

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Mammoth Cave fears impact from Muhlenberg plant

By MARK WILSON Courier & Press staff writer 464-7417 or mwilson@evansville.net April 22, 2002

The National Park Service is suggesting Kentucky officials reopen public comment on Peabody's proposed permit for a power plant in Muhlenberg County.

But the state's chief of air quality says it may be too late.

Concerned with the proposed plant's effects on Mammoth Cave National Park, federal officials provided Kentucky new technical information last week indicating pollution from the plant will just miss impacting the park. The Park Service, however, said the plant's pollution may have more far-ranging effects worthy of public scrutiny. But it may be too late.

"We may not be able to officially accept it because the (public) comment period is over," said John Lyons, director of the Kentucky Division of Air Quality.

The period for public comment on Kentucky's draft permit for the 1,500-megawatt, coal-burning Thoroughbred Generating Station ended Feb. 28. Kentucky has until April 27 to develop responses to the comments and suggestions before finalizing its permit. A moratorium on permitting power plants imposed by Kentucky Gov. Paul Patton expires in July.

In addition to the Park Service, the proposed permit has been criticized by regional U.S. Environmental Protection

Agency officials, the Indiana Department of Environmental Management and the Natural Resources Defense Council, a nationwide environmental watchdog group. Sticking by its earlier suggestions made during the public comment period, the Park Service emphasized that greater pollution reductions could be made at the proposed power plant.

The public comment period on the draft permit for the Thoroughbred Generating Station ended Feb. 28.

"We continue to believe that coal washing and better utilization of control equipment are viable alternatives that could further reduce air pollution impacts at Mammoth Cave National Park," wrote John Bunyak, National Park Service chief of policy, planning and permit review.

Peabody is proposing to control sulfur emissions with pollution controls called "scrubbers" on the high-sulfur coal it plans to burn.

Washing the coal before burning could reduce its sulfur content by up to 60 percent, according to the Park Service, and further reduce sulfur dioxide pollution nearly 6,400 tons-per-year.

Air quality experts with the Park Service also believe it is possible to use even more efficient pollution control technologies than Peabody is proposing, lowering the health-threatening levels of particulate matter and nitrogen oxide - which contributes to ozone pollution - even more.

Despite these conclusions, the Park Service study found pollution from the Thoroughbred plant is likely to have only a very minimal effect on visibility and at the park. But when they looked at the air modeling results, it became clear that there was a good possibility the pollution emissions would have an impact on other areas of western and central Kentucky, reaching as far as Indiana and Tennessee.

"It's a judgment call as to whether we want to make an issue with it," said Bob Carson, air quality specialist at Mammoth Cave National Park. "We could totally feel comfortable with this plant if they implement the additional control measures we were recommending. That would give us a lot better feeling."

But Peabody Energy spokesman Vic Svec said the company and the Park Service may have to settle for agreeing to disagree.

"The technology we are using for scrubbing is by far the best solution. Coal washing brings with it slurry ponds and gob piles. There is an environmental cost with this," Svec said. "This plant goes far beyond existing federal standards. We are pleased with the technology we have chosen."

John Blair, of the Evansville-based environmental group Valley Watch, said this of Pea "They would rather put it in the air. That is the trade off. Their scrubbers are going to create a similar problem. Anytime you capture an air pollutant you create a solid waste that has to be disposed."

Peabody is billing the power plant, to be built near Central City, Ky., as one of the cleanest east of the Mississippi River, with sulfur dioxide emissions 86 percent below the average for Kentucky coal-burning plants, and nitrogen oxide emissions 82 percent lower.

However, Indiana officials worry that its emissions will contribute to an increase in regional ozone pollution. Blair believes the Park Service study points out the potential for just such an impact.

"It certainly looks like what they found there would imply an additional ozone problem for us," Blair said.

Peabody is billing the power plant, to be built near Central City, Ky., as one of the cleanest east of the Mississippi River, with sulfur dioxide emissions 86 percent below the average for Kentucky coal-burning plants, and nitrogen oxide emissions 82 percent lower.

April 18, 2002

MESSENGER-INQUIRER

OWENSBORO, KY
THURSDAY 31,862
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Burrelles

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Make it known that Peabody should use local workers

Shame on Peabody for even thinking about using Zachry Construction Corp., in San Antonio. They will probably bring workers in from Mexico, Texas and other states to do the jobs that we can fill in our

I attended the last meeting in Powderly concerning the air permits. I was the one who stood up and said that Muhlenberg County was a dying county. We need the jobs here. Where were the people from Texas and other places during the meetings? It was Muhlenberg County people, (boilermakers, pipefitters, carpenters, operators, engineers, labor

locals, Teamsters and retired and active mine workers), who attended the meetings in support of Peabody. If the local unions had not backed Peabody, who would have?

The boilermakers as well as other unions have qualified workers who live in Muhlenberg County. I know that boilermakers have used laid-off coal miners and other people on permit at TVA and other power plants.

I know we can get the people to do the job right — the first time. Please, people of Muhlenberg County, let these representatives know how you feel about this issue: Gov. Paul Patton, 702 Capitol Ave., Frankfort, KY 40601; Peabody Energy, 701 Market St., St. Louis, MO 63101, or e-mail publicrelation@peabodyenergy.com; Brent Yonts, (502) 564-8100 or e-mail brentons@lrc.state.ky.us

Jimmy D. Arnold, boilermaker Central City

MESSENGER-INQUIRER

31,862 OWENSBORO, KY APR 18 2002 THURSDAY

Burrelle's

lenberg candidates meet with seniors

By David Blackburn Messenger-Inquirer

Muhlenberg County senior citizens POWDERLY — Ten candidates Wednesday with vows of change, quality-of-life improvement and batfor office introduced themselves to tling drugs

law enforcement.

executive, county attorney, magis-trate and district court judge spoke briefly to about 40 people gathered at the Muhlenberg County Senior Candidates for the sheriff, judge-Citizens Center.

drew nearly 70 people to hear 14 candidates, center director Carolyn The center sponsored the forum, as well as a similar event Friday that

day were Allen Harris, a Democrat seeking the nod for the District 4 Among the candidates Wednesmagisterial seat who said jobs and attracting industry were priorities.

wouldn't promise to solve all of Muhlenberg County's problems.
"I guarantee you I will work day

and night trying to solve your prob- tion in the county, he said. plans to retire from Peabody Energy soon in order to devote time to the office. But he also noted that the county That includes Sheriff Jerry Mayhugh, who is seeking the Democratic nomination in the May primary. He noted his office's efforts in fighting ised to help fight by supporting local has a drug problem, which he prom-

the judicial center planned for Hobgood's opponent, Republican ncumbent Rodney Kirtley, touted the accomplishments during his administration — the Senior Citizens Center next door, the new jail and Center, the Career Advancement Greenville. hugh's opponent this November if he

"We don't talk about it, we do it,"

methamphetamine and other drugs.

Republican Jody Hawkins, May-

Mayhugh said.

Muhlenberg branch of Madisonville plans to lay a foundation of educa-The career center and the new Community College are part of his

wins the primary, took it a bit further. "We're going to solve your drug problem," said Hawkins, a retired

Kentucky State Police trooper who

cited his past work in drug eradicaohn Hobgood, the Democratic judge-executive candidate, said he

tion in eastern Kentucky.

lems," Hobgood said. He said he Kirtley also announced plans to pave the senior center parking lot in May and possibly to create a paved walking trail nearby.

Democratic county attorney candidate Jonathan King said the county, as well as the office, "for too long has been a little stagnant."

"I want to change that," King said. "We could get more out of the county attorney's office than we are now getting.

His opponent, Democratic incumbent Darris Russell, was in court and couldn't arrive in time to speak at the 40-minute forum.

April 18, 2002

Ky. passes merchant plant siting legislation

entucky lawmakers earlier this week passed a plant siting bill only hours before the General Assembly adjourned its regular 2002 session.

The legislation creates a sevenmember siting board to determine where merchant plants should be located. Any regulated or unregulated company wanting to build a merchant project in the state will be required to go before the board. Regulated utilities proposing to build plants still will report to the state Public Service Commission. The bill expands PSC authority to, among other things, require utilities to perform cumulative assessments about the need and environmental impact of proposed projects.

Municipal utilities will be exempt from the legislation unless they plan to build or operate merchant plants.

Amendments tacked on at the last minute also exempt specific projects, such as East Kentucky Power Cooperative's proposed 268-MW, coal-fired Gilbert addition at its 800-MW, coal-fired Spurlock plant. The Winchester, Ky.-based generation and transmission co-op already has state approval for the Gilbert unit and will not have to wait to begin construction despite a six-month moratorium Gov. Paul Patton imposed Jan. 11 on new plant construction and permits.

After Senate Bill 257 underwent some minor amendments, the Democrat-controlled House of Representatives approved it 93-0 and sent it to the Senate for concurrence. The vote in the Senate, where Republicans are in the majority, was 35-0 in favor of the measure.

"We got a good bill," said Republican State Rep. Jon Draud, who authored competing legislation that eventually formed the basis for a compromise with Republican State Sen. Ernie Harris, chief sponsor of S.B. 257.

Patton, a two-term Democrat, is expected to sign the bill. Because it carries an "emergency" provision, S.B. 257 would take effect immediately.

Harris said Tuesday he expected Patton to lift the moratorium prior to its scheduled July 16 expiration date. The governor's office did not respond to inquiries about the moratorium.

April 16, 2002

Posted on Tue, Apr. 16, 2002

Power plant regulation OK'd MEASURE GIVES STATE BOARD AUTHORITY TO BLOCK PROPOSED CONSTRUCTION OF MERCHANT OPERATIONS

By John Stamper HERALD-LEADER BUSINESS WRITER

State regulators will have the authority to block proposed power plants under a bill passed last night by the General Assembly.

Gov. Paul Patton is expected to sign Senate Bill 257. The measure creates a new seven-member board that will examine the environmental and economic impact of proposed power plants before allowing them to build in Kentucky.

It would make sure most plants are built at least 1,000 feet from adjoining property and 2,000 feet from any neighborhood, school, hospital or nursing home.

Local planning and zoning commissions could override the 1,000- and 2,000-feet setbacks with their own distance requirements.

"This protects the public from having a power plant locate next to your neighborhood," said Rep. Jon Draud, R-Crestview Hills, who sponsored a similar version of the Senate bill approved last night.

Environmentalists also applauded the bill.

The Kentucky State Board on Electric Generation and Transmission Siting would only deal with merchant power plants, which sell electricity wholesale at unregulated rates.

Utility companies that generate electricity for Kentuckians would submit their request for a new plant to the state Public Service Commission.

Regulated utilities would follow many of the same siting rules imposed on merchant plants, but the PSC could not order relocation of a regulated utility's plant. It could block the plant entirely.

Like the PSC, the new board must decide whether to approve or deny a power plant within 90 days, or within 120 days if a hearing is requested by local officials or at least three individuals.

The board will consider a wide variety of criteria, including a proposed plant's impact on the economy, scenic surroundings and values of adjacent property. Anticipated noise levels would also be considered.

The new law also would require all power plants to undergo a "cumulative environmental assessment" by the state Cabinet for Natural Resources and Environmental Protection. It could impose restrictions on a power plant's air, water and waste emissions.

 $\rm HB257$ was stalled for several weeks by bickering between House Democrats and Senate Republicans. But last night, the House approved the measure 93-0 , and the Senate passage came on a 35-0 vote.

The final bill carved out an exemption for a proposed plant in Estill County that will burn waste coal at an old coal wash station. The plant, to be built by Calla Energy, would not have to be 1,000 feet from its closest neighbor.

POWER PLANTS
Review of 'merchant' proposals passes

By James Bruggers jbruggers@courier-journal.com The Courier-Journal

FRANKFORT, Ky. -- Faced with a raft of proposed new power plants in Kentucky, the General Assembly passed without dissent a bill to regulate where many of them can go, and under what conditions.

After several versions of the bill were offered and then pulled last night by House floor leaders while the Senate waited, the final version passed the House 93-0. The Senate approved it 35-0.

Gov. Paul Patton, who last year slapped a moratorium on granting new permits for power plants while the legislature wrestled with the issue, is expected to sign the bill.

It centers on ''merchant'' plants that sell electricity on the open market, most likely to out-of-state utilities. Nearly 30 power plants have been proposed for Kentucky since October 1999, most of them merchants.

The legislation, sponsored by Sen. Ernie Harris, R-Crestwood, and amended in the House by Rep. Joe Barrows, D-Versailles, is a modified version of an original bill by Rep. Jon Draud, R-Crestview Hills.

It creates a special state board under the Public Service Commission to review merchant-plant proposals. The PSC already regulates power plants run by utilities that serve Kentucky ratepayers.

Merchant plants will have to comply with local zoning laws if they are proposed for cities or counties with such laws. With rare exception, exhaust stacks will have to be at least 1,000 feet from the neighboring property line and 2,000 feet from residential neighborhoods, schools, hospitals or nursing homes.

Any merchant-power-plant or transmission-line proposal will need thorough environmental and economic assessments. The bill gives preference to plants that use so-called ''clean coal'' technology or that intend to burn waste coal products.

House Floor Leader Greg Stumbo, D-Prestonburg, said the measure will not do anything to stop the development of newer, cleaner-burning coal technologies that are important for the state's economy. He said it will ''make for an orderly process'' for reviewing and approving the plants.

The House applauded Draud, who worked on the bill for more than a year and urged its passage yesterday.

Tom FitzGerald, director of the Kentucky Resources Council environmental group, endorsed the final version, saying it was ''comprehensive.'' He and business interests suggested minor changes until late into the evening.

April 12, 2002

Editorial Page editor. Matthew Francis, 691-7296

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EDITORIAL

icism of Peabody plant premature

Company should

ing-room-only crowd of about 200 Muhlenberg County resiarely two months ago, a standconstruction plan soon explain its

rousing endorsement for a proposed dents turned a public hearing into a coal-fired power plant.

merchant power plant - expected to Speaker after speaker praised the impact the 1,500-megawatt-capacity Central City — would have on the be built on the Green River near

The mood, however, seems to have Peabody has claimed a local economplant-siting process has played out union representatives and some electof the plant and that the company will nonunion — to oversee construction bring its own laborers to do much of raised that Peabody plans to hire a ed officials. Concerns have been quickly changed, at least among Texas company — one that is community. the work.

the life of the project.

"If that's the direction this is going, it's a slap in the face to Mühlenberg said Rep. Brent Yonts, a Greenville County and the people of this area,

stick to the promises it made, As the county area. have every right to expect Peabody to The people of Muhlenberg County Democra

filled, considering more than 10,000 AFI-CIO members live in a local nine

as well as politicians — are rightfully

uneasy about how the jobs will be judgment. Union representatives those who are now criticizing

Peabody seem premature in their

sen for construction. Peabody, howevdoing preliminary work, the assumper, has said that no such decision will Construction is part of a consortium plaints on a rumor. Because Zachry tion is the company will also be cho But they are basing their combe made for several months. ic impact of \$75 million annually and In addition, the company has said that four years of construction would create 2,500 temporary jobs and 450 \$3.3 billion in new spending during

A representative from Zachry told Blackburn that if the company were jobs would be filled from within the Messenger-Inquirer reporter David to be selected, an estimated 2,000

he stakes are certainly high, but

permanent employment positions

once the plant opens.

It's understandable for Peabody to answer is no longer good enough. At say it hasn't yet made a decision, but some point the company will need to there will come a time when that

explain its plans to the people of Muh. lenberg County.

Peabody has touted the community support this project has received, and of, the plant, the process likely would not be nearly as far along. That supprocess easier. Had 200 people spoken out against, rather than in favor that has no doubt made the permit port is directly tied to the perceived economic benefits.

residents can decide for themselves it this is truly a project that they want to the construction process will play out and support of Muhlenberg County For Peabody to maintain the trust and who will do the work. That way needs to detail — and soon — how

April 11, 2002





11 April 2002

Site Menu

Reader Options

Front Page

News



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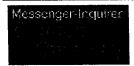
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Contests

Concerns raised about Peabody project

7 April 2002

By <u>David Blackburn</u> Messenger-Inquirer

Barely a year ago, cheers greeted Peabody Energy's predictions of more than 1,000 new jobs and a local economic impact estimated at \$75 million annually from plans to build a coal-fired electric generating plant and underground mine.

One of those cheering loudest was state Rep. Brent Yonts, a Greenville Democrat. He helped pass coal-based tax-break legislation in 2000 and has urged quick passage of the Thoroughbred Energy plant's air quality permit by the state.

But the warm reception has chilled amid fears that Peabody is considering hiring a Texas company as the general contractor to oversee construction of the 1,500-megawatt plant near Central City.

Yonts and area union leaders are concerned that the Zachry Construction Corp. in San Antonio -- an open, or non-union, shop -- will bring in its own laborers to do much of the construction work.

"That will not sit well in this county," Yonts said Thursday. "If that's the direction this is going, it's a slap in the face to Muhlenberg County and the people in this area."

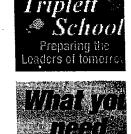
But officials for Zachry and for Peabody -- which also stressed that no general contractor has been selected -- downplay those concerns.

"We certainly continue to expect the plant construction, the plant's operation and the mine operations to have significant local benefits," Vic Svec, Peabody's vice president of public relations, said Friday during a telephone interview from the St. Louis corporate headquarters. He made that assurance, he said, "without referring specifically to effects on hiring and such, because that would be premature at this point."

Yonts said he has written Peabody and Gov. Paul Patton, who attended the February 2001 announcement, about his concerns.

"This (the plant project) was presented as a salvation economically for the people in Muhlenberg County and in this region," Yonts said, citing Muhlenberg's repeatedly high unemployment.

Bracket Magic





Gary Osborne, president of the International Brotherhood of Electrical Workers Local 1701 in Owensboro, also has written to Patton and Peabody.

In a March 29 letter to them and state legislators, Osborne based his fear on an unconfirmed report that nearly all of the project work would be self-performed by Zachry.

"Our support for this project hinged on the much-needed jobs for the members of the Kentucky Building and Trades craftsmen," Osborne wrote.

He said 700 qualified members are in Muhlenberg County and more than 10,000 are in a nine-county area represented by the AFL-CIO's Owensboro Area Buildings and Construction Trades Council.

"Our concern is the vast amount of out-of-state construction workers that would be brought into the area," Osborne said Friday during a telephone interview." Zachry will bring in a good many of their folks."

Exactly how many that will be is unknown.

No contractor is chosen yet, Peabody officials said.

"The selection process has not been finalized as of yet," Svec said. The decision should be made "sometime within the next several months," he said.

Svec said early estimates indicate nearly 2,500 jobs will be created during a peak construction.

Vicky Waddy, Zachry's director of public relations, estimated that more than 2,000 of them would be from the area "if we get applications from qualified people."

Waddy said the company would bring along its own managers and "give(s) preference to people who have previously worked for Zachry," then commit to hiring -- and purchasing -- locally.

As an open shop, Zachry usually sets up an employment center near the construction site, Waddy said. Applicants are screened, tested -- and not asked about their union affiliations.

"We just hire people who are qualified to do the work that we need," Waddy said.

Like Svec, Waddy said Zachry Construction has not been chosen as the project contractor.

But Zachry is part of a consortium doing preliminary work -- such as estimates of the materials and number of workers needed for the project -- for Peabody that is due by the end of the year, Waddy said.

Peabody will use the figures to form formal construction contracts, she said.

Because Zachry is handling that chore, Waddy said, "that's an indication to us that Peabody is considering us to do the construction.

"It's kind of difficult for one group to do the planning and another group to have to come in and have to pick up those plans and do the construction."

Svec said he could not comment on Zachry's status. He also declined to comment on a construction labor survey done last summer concerning the Thoroughbred plant.

The survey looked at labor experience, the historical labor trends, current and predicted labor availability shortage, and the project's size and complexity.

The survey yielded a July 5 suggestion to Peabody that a project labor agreement be established through an AFL-CIO building and construction trades department because of the demand for so many skilled craft workers.

A project labor agreement allows a company to remain an open shop, but, for just one project, all the laborers would be referred by unions, said Osborne.

Osborne provided the Messenger-Inquirer with a copy of the recommendation, which he said he obtained through the National Building and Construction Trades Department in Washington, D.C.

"I can't speak specifically to any one recommendation that any vendor might make," Svec said. "Those would go into the variety of the decisions that the company would make over the course of the project."

Back to top

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April 9, 2002

The Courier-Journal Tuesday, April 9, 2002

'Set a new standard'

I'd like to clarify information in a recent Courier-Journal article about Peabody's proposed Thoroughbred Energy Campus, which has been granted a draft permit by the Commonwealth of Kentucky.

Thoroughbred has been designed with an industry-leading combination of advanced environmental technology—technology that will enable the plant to set a new standard for environmental performance.

Consider that Thoroughbred's modeled emissions of nitrogen oxides are 82 percent below the Kentucky coal plant average. Thoroughbred's sulfur dioxide emissions would be 86 percent below the average for Kentucky coal plants. And more than 99.9 percent of all particulates will be removed.

Thoroughbred would provide reliable, low-cost electricity for 1.5 million homes. And the plant is modeled to dis-

patch ahead of all oil, natural gas and coal-fueled generating plants, further benefiting Kentuckians by keeping energy prices low.

The facility would drive economic growth, creating 450 permanent high-paying jobs and injecting nearly \$100 million annually into Kentucky's economy.

Thoroughbred represents environmental improvements, energy solutions and economic gains. We look forward to continuing to work with state and federal agencies to turn a great project of today into a reality in the future.

VIC SVEC
Vice President
External Affairs
Peabody Energy
St. Louis, Mo. 63101

April 1, 2002

MylnKy

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URL: http://www.myinky.com/ecp/opinion/article/0,1626,ECP_794_1058518,00.html

New coal plant would be clean

April 1, 2002

To the editor:

We respectfully disagree with the recent editorial suggesting air-quality analyses have not been performed or documented for Peabody's proposed Thoroughbred Energy Campus in Muhlenberg County, Ky.

Thoroughbred would be the cleanest coal-fueled plant in Kentucky, and the cleanest major coal-fueled plant east of the Mississippi River. Extensive air-quality and visibility modeling has been performed to ensure that the plant's emissions achieve the U.S. Environmental Protection Agency's ambient air-quality standards designed to protect human health and preserve visibility.

The EPA in its regulations notes that ozone modeling from a single source is not useful. It can be accurately performed only on a regional basis due to complex reactions involving numerous sources.

Nonetheless, a separate analysis was summarized in the report "A Cumulative Assessment of the Environmental Impacts Caused by Kentucky Electric Generating Units," Dec. 17, 2001. The report was prepared by the Kentucky Natural Resources and Environmental Protection Cabinet and included an ozone analysis performed by the EPA.

The study assessed potential regional air-quality impacts based on conservative data for Kentucky's current and proposed electric generating stations. It identified two proposed plants in Kentucky that could impact ozone designations. Thoroughbred was not mentioned.

These results have been available to the public for a number of months and, for convenience, have been submitted to the Kentucky Department of Air Quality as part of Thoroughbred's permit documentation.

Even this discussion of modeling misses the ultimate point: By law, there can be no increase in ozone, and air quality will continue to improve.

That's because the EPA and 23 Eastern states - including Kentucky and Indiana - have developed a remedy to reduce ozone through a stringent regional cap and trade program.

The state implementation plans limit nitrogen oxide emissions to a standard of 0.15 pounds per million Btu for new plants, and any new emissions must be offset. Thoroughbred's proposed nitrogen oxide emissions would be just 0.09 pounds per million Btu. If the plant were operating today, in fact, it would be earning nitrogen oxide allowances under the program by operating well below the EPA's state implementation plan limit.

In addition to achieving environmental improvements, Thoroughbred would dispatch low-cost electricity, create 450 permanent jobs and inject nearly \$100 million into the Kentucky economy each year.

We look forward to continuing the project for energy, economy and environmental progress.

Vic Svec

Vice president, external affairs

Peabody Energy

The Herald, 4/1/02

Peabody plant sets environmental standard By Vic Svec

Peabody Energy would like to clarify information in the recent Associated Press article about Peabody's proposed Thoroughbred Energy Campus, which has been granted a draft permit by the state.

Thoroughbred has been designed with an industry-leading combination of advanced environmental technology -- technology that will enable the plant to set a new standard for environmental performance.

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Thoroughbred would provide reliable, low-cost electricity for 1.5 million homes. And the plant is modeled to dispatch ahead of all oil, natural gas and coal-fueled generating plants, further benefiting Kentuckians by keeping energy prices low. The facility would drive economic growth, creating 450 permanent, high-paying jobs and injecting nearly \$100 million annually into Kentucky's economy.

Thoroughbred represents environmental improvements, energy solutions and economic gains. We look forward to continuing to work with state and federal agencies to turn a great project of today into a reality in the future.

Vic Svec is vice president for external affairs at Peabody Energy in St. Louis.

May 30, 2002

Megawatt Daily, 5/30/02

Ky. officials take new look at Thoroughbred

Kentucky environmental officials are taking a second look at an application filed by Peabody Energy for a controversial 1,500-MW, coal-fired merchant power plant, Thoroughbred Energy Campus in Muhlenberg County.

In January, the Kentucky Division for Air Quality, part of the state Natural Resources and Environmental Protection Cabinet, issued a draft air permit for the nearly \$2-billion project. During the subsequent public comment period, the U.S. Environmental Protection Agency suggested the state agency acted prematurely in issuing the draft permit. The Indiana Dept. of Environmental Management also filed comments critical of the project.

A Natural Resources Cabinet official confirmed Tuesday the agency is working on a new draft air permit for Peabody. He did not indicate how the agency plans to respond to EPA concerns, including that Peabody should use newer clean-coal technology on Thoroughbred instead of the pulverized coal technology the St. Louis-based company intends to use.

It is uncertain when the revised draft permit will be issued or what effect, if any, it will have on Peabody's timetable for the project. Though Peabody officials could not be reached for comment, the company has said Thoroughbred could be in commercial operation in late 2005 or early 2006.

May 27, 2002

Coal-fueled plant will be good for Kentucky

At issue | May 4 Herald-Leader editorial "Fletcher interfering; Let EPA do its job, evaluate power plant"

By Vic Svec

We respectfully disagree with the Herald-Leader's editorial about the technology and environmental performance of Peabody's proposed Thoroughbred Energy Campus in Muhlenberg County.

Thoroughbred is modeled to be the cleanest coal-fueled plant in Kentucky and the cleanest major coal-fueled plant east of the Mississippi River. Extensive air quality and visibility modeling have been performed to ensure that the plant's emissions achieve the U.S. Environmental Protection Agency's ambient air-quality standards designed to protect human health and preserve visibility.

Thoroughbred's design incorporates

Thoroughbred's design incorporates industry-leading applications of proven technologies that will set a new standard for emission controls. This will ensulfur content to use Kentucky's higher sulfur content coal while still meeting or surpassing all air quality standards.

There are fewer than a handful of coal-fueled, integrated gasification, combined-cycle, electricity-generating systems operating in the world, all of which were developed with extensive government funding. While coal-gasification technology shows great promise for the future, it has not proved to be commercially viable or reliable for base-load generation that must be planted for today.

The nation has experienced a 60 percent increase in electric-load growth over the past 20 years while essentially no base-load plants were developed. The U.S. Energy Information Administration expects the demand for energy in Kentucky to rise by as much as 30 percent over the next two decades.

Thoroughbred's low-modeled operating cost would benefit Kentuckians by keeping energy prices low for 1.5 million families. And all of the necessary transmission upgrades to place power on the grid will be paid for by Peabody, at no additional costs to ratepayers.

In addition to dispatching low-cost electricity and achieving stringent envisionmental controls, Thoroughbred would create 450 permanent jobs and inject nearly \$100 million into the state's economy each year.

We look forward to continuing this project as a way to achieve energy, economic and environmental progress.

Vic Svec is a vice president at Peabody En-

Kentucky's coal saga both good and bad

By John Lucas / Western Kentucky Bureau May 27, 2002

The old Merle Travis song "Dark as a Dungeon" has a line about how the black dust of the coal mines seeps into the miner's bloodstream and mining becomes a way of life.

Travis, no doubt, knew what he was singing about because he hailed from Western Kentucky's Muhlenberg County where coal mining has been a way of life for generations. Mining there has only recently been slowed by the lowered demand for the region's mostly high-sulfur coal.

But there are signs it may be making a comeback. The big companies that own the vast reserves that underlie Western Kentucky, Southern Indiana and Southern Illinois are pouring money into the campaign coffers of mostly Republican politicians, hoping to buy coal a permanent, starring role in the nation's energy policy.

And it would appear they're having some success.

A new mine - such as Ken-American's Brier Creek at Bremen, Ky. - opens every now and then, and others are on the drawing boards as companies discuss building new electric generating plants - such as Peabody's Thoroughbred project near Central City, Ky. - in the coalfields to burn the coal where it's mined.

Maybe a resurgence of coal is a good thing. We have plenty of it. The jobs in the mining industry are, generally speaking, good paying. And when the mines are running, that money stimulates a booming Main Street.

But for all its pluses, coal demands a word of caution. I live literally at the edge of Kentucky's western coalfield. When I go outside at night, I can see the lights of tipples across the Tradewater River in Union and Webster counties. Most of my neighbors either work in the mines or have worked there at one time or another. When I was growing up in the 1950s and '60s, most people still heated their homes with coal. Coalhouses, coal piles and coal bins were omnipresent. Whether the welcome heat came from a stoker furnace in the basement, a Warm Morning stove or shin-baking grates, we embraced the warmth and the black mineral that was burned to provide it.

But heating with coal had its downside, too. A coalhouse was a dirty, messy place. Using coal for heat produced dust and soot that managed to find its way throughout the house and settled on everything outside. And there were the ashes that had to be taken out on a daily basis and disposed of, sometimes in a driveway, or a gully or just left in a long-festering pile somewhere out back.

In a similar manner, coal itself seems always both good and bad, a blessing and a curse for those regions that have it. I see that here, in Eastern Kentucky and in the western end of Virginia, where my wife, Patty, is from. In the 1970s and '80s, coal drove the economies of many communities in Kentucky, Virginia, Southern Indiana and Southern Illinois.

When I was getting out of high school in the late '60s, going to college was considered sort of foolish. Why should you keep going to school when you could get a job working in the mines making \$100 a day? A lot of guys dropped out of high school to pull down those big bucks. They did well for a few years, but the Clean Air Act's restrictions on smokestack emissions, coupled with the easily accessible low-sulfur Powder River Basin coal in the West, made Illinois Basin coal hard to sell, and a lot of mines closed during the '90s.

Those that didn't close became more mechanized, producing more tons with fewer miners.

All that in turn, put a lot of nearly middle-aged coal miners - few of whom had formal education beyond high school - on the streets looking for work in a job market where even lesser-paying jobs demand some level of advanced training.

It's the boom-and-bust cycle played out over and over again in the coalfields. When there's a market for it, coal provides the jobs for those people willing to risk working underground. They earn good money and spend it freely on houses, trucks, boats and other big-ticket items.

But when the market goes down and the closures and lay-offs come, it's not a pretty sight. Neither is what mining does for all too many of the people that work there - the crippled backs and knees, the emphysema, the occasional deaths, the worry lines etched into the faces of wives who pray their husbands' shifts will end without incident.

In time, you come to understand Travis' song that contained a warning to the young men of his county to "seek not your fortune in the dark, dreary mines."

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Power plant to get second review

Kentucky vows permit corrections

By MARK WILSON Courier & Press staff writer 464-7417 or

mwiison@evansville.net

May 27, 2002

The public will have another chance to comment on Peabody Energy's proposed power plant in Muhlenberg County, Ky.

Kentucky environmental officials are working on a new draft of an air pollution permit for the Thoroughbred Energy Campus to be made public by the end of the month. Peabody is proposing to build a conventional 1,500-megawatt power plant to burn high-sulfur Muhlenberg County coal, drawing criticism from environmentalists and federal officials.

"There are going to be some changes," said John Lyons, director of the Kentucky Division of Air Quality. "Our regulations state that if there are significant changes it should be rewritten."

Lyons would not discuss what the changes will be. The permit for the plant came under criticism from the U.S. Environmental Protection Agency and National Park Service, the Indiana Department of Environmental Management, as well as various national and regional environmental groups.

In addition to making changes to the permit, Lyons said reopening it to public comment allows the public to address information received after the first comment period ended Feb. 28.

"There were some procedural errors on our part from the original public notice standpoint," Lyons said. "There has been new information received and the public obviously has a right to know."

Peabody turned in a revised permit application in March after the public comment period. In April the National Park Service submitted new information about the proposed power plant's potential impact on visibility at Mammoth Cave National Park and other potential areas of air pollution impact.

At that time, Lyons said the Park Service's additional comments would not be considered, and rejected the suggestion of reopening the permit to public comment. The Park Service ran computer models of the proposed plant's pollution emissions for three different years. The tests confirmed engineering work paid for by Peabody that indicated pollution from the plant will just miss affecting the park. "It's looking like, from a visibility standpoint, that Mammoth Cave, at least from those three years, if that source Search Site For:











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had been built there we would probably not have seen impacts from it," said Bob Carson, a National Park Service air quality specialist. The National Park Service, however, said the plant's pollution may have more far-ranging effects worthy of public scrutiny. "We are kind of glad that they are putting this information out for the public to review. That's something we felt they should have done earlier on," Carson said. "This will get some of those issues out there. That will be a positive thing."

David McIntosh, an attorney specializing in air quality at the Natural Resource Defense Council in Washington, D.C., agreed:

"It's a very positive turn. We hope it will have the type of results that will lead to better protection of public health in Western Kentucky and Southern Indiana."

John Blair of Valley Watch, an Evansville-based environmental group, said he still has concerns that he hopes the new permit will address. Among them: Pre-construction air quality monitoring, washing the coal to reduce pollutants before it is burned and addressing the plant's impact on ozone pollution.

"Kentucky was clearly in the wrong by releasing a draft permit when they did," Blair said.

One thing Peabody has apparently agreed to do, McIntosh said, is to implement a plan for monitoring its pollution to ensure it complies with the permit.

A Peabody spokesman did not return telephone calls seeking comments on Friday.

A new hearing date for the proposed power plant has not been set, Lyons said.



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May 25, 2002

MESSENGER-INQUIRER

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Resolution urges use of local workers for Thoroughbred plant

The Muhlenberg Fiscal Court on Thursday formally urged Peabody Energy to emphasize the use of local workers and businesses to build the proposed Thoroughbred power plant near Central City.

A resolution passed during the court's biweekly meeting asked Peabody "to utilize Muhlenberg County tradespeople, professional services and businesses to the extent possible" to slow the county's "economic decline."

The county has "an abundant labor force that is skilled, capable, trained and experienced," the resolution said.

The resolution comes at the request of local and area union representatives who fear most of the labor used to build the coal-fired power plant would be brought in to do the work.

May 20, 2002

EPA office's bias a hindrance to needed energy plant

By Ernie Fletcher Posted on Mon, May. 20, 2002

The Environmental Protection Agency's administration of the Clean Air Act is one area of my oversight responsibility on the investigations and oversight subcommittee of the House Committee on Energy and Commerce. The Clean Air Act is second only to the U.S. tax code as the federal government's most lengthy and complex set of laws and regulations, so the confusion demonstrated in the Herald-Leader's editorial is understandable.

The role of the EPA is to regulate pollutants and help us maintain a clean environment, not to sustain a bias against fossil fuels and prevent use of clean-coal technology. In the face of the national security and energy needs of this country, the continued bias of the EPA Region 4 office and apparently the Herald-Leader against coal-powered electricity seems uninformed.

There is a critical need in the United States for greater electric production capacity. American electricity demand is expected to rise by 1.8 percent a year over the next 20 years, requiring the addition of some 393,000 megawatts of generation capacity. That is the equivalent of about 1,600 new power plants. Even if we stress aggressive conservation (which we must) to increase energy savings by 15 percent every year, that would reduce the need for new generation by only 66,000 megawatts, still leaving a need for more than 300,000 megawatts of capacity. In comparison, all of Kentucky's utilities combined can generate 14,000 megawatts.

One obvious solution to this critical need is Kentucky coal. Coal accounts for more than 50 percent of U.S. energy supply, and the United States has more than 250 years of supply remaining. It also ensures that Kentucky maintains the cheapest energy rates in the United States -- 53 percent below the average.

In addition to coal's abundance, today's technology allows coal to burn cleaner than ever. In 1999, the EPA reported that emissions of criteria air pollutants (those related to human health) had dropped a full 31 percent below 1970 levels. In the same time, the use of coal to produce electricity increased 188 percent. New power plants bear as much resemblance to 1950s coal plants as a 2002 Corvette has to its 1950s model. It is undisputed that they must meet the EPA's strict environmental performance standards for new plants and have the best available pollution control technology installed.

While new technologies such as coal gasification are constantly being developed, perpetually waiting for the better mousetrap is foolish. One cannot say now, with certainty, when (or even if) coal gasification may become commercially viable. There are only two gasification plants in the United States, and both receive substantial government assistance.

While the government should share a role in the continued development of gasification, which I am hopeful will one day be economically feasible, Kentuckians should also embrace the economic opportunity for business leaders and private investors.

Two important developments were overlooked when the Herald-Leader explored our energy future. First, we have many coal-fired plants using old technology that will need replacing in the near future. If, as the Herald-Leader proposes, we delay development of new plants in hopes of even newer technology, we will miss opportunities for an ever-cleaner environment.

The second is President Bush's Clean Skies initiative. He has proposed the implementation of a declining cap on emissions of three major pollutants from all utilities, no matter what technology is used. Bush's proposal reduces SO2 emissions by 73 percent, NOx emissions by 67 percent and mercury emissions by 69 percent -- the first-ever national cap on mercury emissions. This establishes a flexible program with hard emission caps, modeled after the successful acid rain program.

The energy debate today centers on how to best balance our nation's future energy needs with our strong common desire to improve the environment and sustain our economic viability. However, if we plan to keep our lights on and protect the environment, we must embrace the latest and most advanced technologies and not gamble the hopes of future generations on speculation.

Despite the errant views of the Herald-Leader regarding congressional oversight responsibility, it is my job to ensure that all agencies under my jurisdiction are accountable to the Kentuckians I represent.

Besides, when I come back home from Washington, it's kind of nice that someone has left a welcoming light on.

May 16, 2002

Patton To Lift Kentucky's Power Plant Moratorium

Kentucky Gov. Paul Patton intends to lift a state moratorium on merchant plant applications this week, and at least two energy companies appear posed to move forward in the state's new siting process. Patton imposed the moratorium last June after the state received a slew of new plant applications (CD 6/19/01; 6/21/01).

Patton announced his intentions to lift the ban to members of his Energy Policy Advisory Board early this week. Patton imposed the ban last June after the state was flooded with more than two dozen permit requests from merchant plant builders.

Patton told board members that the moratorium was no longer necessary because of a new state law that gives Kentucky regulators more control over merchant plants (CD 4/ 18/02).

Mike Haydon, Patton's deputy cabinet secretary, said the new law strikes "a good balance" between protecting the state's environment and capitalizing on its abundant coal resources.

The new law creates the Siting Review Board, whose members are required to consider environmental, economic and community concerns before approving permit requests.

It also requires plant builders to follow local planning and zoning laws and consider such issues as traffic, appearance, and impact on the state's current electric grid.

Haydon said it was the first time

in the permitting process that there's "been a seat at the table for local input."

Lexington-based power developer **EnviroPower** and St. Louis-based coal producer **Peabody Energy** are the first two companies to have declared their intent to build merchant plants under the new law.

EnviroPower filed a notice on April 26 with the Kentucky Public Service Commission for its 520-MW Kentucky Mountain Power coal-fired plant proposed for Knott County. The state's Natural Resources and Environmental Protection Cabinet has already granted the company one of its key air-pollution permits (CD 5/14/01).

The new law requires EnviroPower to go through the Siting Review Board, which is affiliated with the PSC, before it can proceed any farther.

Peabody Energy, meanwhile, filed a notice with the PSC on May 2 for its proposed Thoroughbred Energy project near Central City. The state has already issued Peabody a draft airquality permit (CD 1/7/02).

FERC to hear dispute over 1,500-MW III. unit

The Federal Energy Regulatory Commission set for hearing Wednesday a transmission interconnection dispute involving a 1,500-MW, coal-fired merchant plant proposed in Illinois by Peabody Energy.

FERC's action follows a protest filed by Peabody that said Dynegy utility unit Illinois Power is dragging its feet on the interconnection agreement Peabody needs to proceed with the project because Dynegy is also planning a new plant not far from the Peabody project.

FERC said it would delay the beginning of the hearing while the parties try to reach agreement. Dynegy is planning a 1,500-MW, coal-fired expansion at its 1,751-MW Baldwin coal plant less than 50 miles from Peabody's proposed plant site.

Ky. governor plans to lift plant moratorium

Lentucky Gov. Paul Patton plans to issue an executive order this week lifting the state's moratorium on new power plant construction and permits, marking the first time in almost a year that state agencies are free to accept, process and approve applications for new electric generating facilities.

The governor told the Kentucky Energy Policy Advisory Board on Tuesday of his intention to remove the power plant ban, according to Annette DuPont-Ewing, the board's executive director. Patton could not be reached for comment Wednesday and his office did not know if he had signed the order yet.

Patton's decision to lift the freeze comes about a month after the General Assembly passed legislation giving the state authority over the siting of merchant power plants. The two-term gov-

ernor signed the legislation, Senate Bill 257, into law in late April.

Patton told the board he believes the moratorium can be lifted because the state now has more control over the location of power plants.

Concerned about the proliferation of merchant projects, particularly the natural gas-fired variety in his coal producing state, Patton on June 20, 2001, imposed a freeze on state agencies accepting new permit applications for power projects. At the time, some two-dozen generating projects, mostly merchant and predominantly gas-fired, had been proposed for Kentucky.

On Jan. 11, 2002, the governor essentially replaced the moratorium with a new six-month prohibition on new power plant construction and permits. The latest ban was scheduled to expire July 16.

May 15, 2002

Patton calls for 20-year plan to shape policies on energy

By Jack Brammer HERALD-LEADER FRANKFORT BUREAU Posted on Wed, May. 15, 2002

FRANKFORT - Gov. Paul Patton wants Kentucky to come up with a 20-year plan to shape its energy policy.

"Now is the time to be proactive," Patton said yesterday to the Kentucky Energy Policy Advisory Board, which is supposed to come up with the plan.

The board is a task force of policy-makers and industry insiders Patton handpicked last summer to study the effects 24 proposed power plants would have on the state's environment and electricity transmission grid.

Patton informed the board that he would sign an order to lift a moratorium he had placed last year on new power plant applications.

The moratorium is no longer needed, Patton said, because of legislation enacted in this year's General Assembly dealing with the siting of power plants.

The board will be working on a long-term energy plan for the state without Jack Conway, who has been its chairman since its inception.

Conway, a Democratic candidate for the 3rd Congressional District in Jefferson County, said he is resigning from the panel, effective today. He said he did not think it was appropriate for him to be involved in designing a long-term energy policy for the state while he was in the political arena.

Patton said he did not ask for Conway's resignation but agreed with the decision. He appointed Annette DuPont-Ewing, the board's executive director, to replace Conway.

The 20-year energy plan, Patton said, should improve the quality of life in Kentucky and protect the environment. He said he did not want another plan "to sit on the shelf."

DuPont-Ewing said the board would set goals at its June 24 meeting at the Kentucky Horse Park and try to have a draft plan by Dec. 9. Areas of concentration, she said, would be coal, natural gas, petroleum, electricity, the nuclear industry and renewable and alternative energies.

Ari Geertsema, director of the University of Kentucky Center for Applied Energy Research, said UK President Lee Todd is "fully on board" with Patton's call for a long-term energy plan and will assist the board.

The board's recommendations could lead to a proposal for the 2003 General Assembly, Patton said.

Front-page story in today's CJ:

Two energy companies seek to build plants
Patton decides to lift moratorium on permits in wake of new state law

By James Bruggers jbruggers@courier-journal.com The Courier-Journal

It's a new game for energy companies in Kentucky, and two have stepped forward just as Gov. Paul Patton plans to lift a moratorium on building merchant power plants.

Lexington-based EnviroPower wants to build a plant in Knott County in Eastern Kentucky, and St. Louis-based Peabody Energy wants to put a plant in Muhlenberg County in Western Kentucky.

The two companies are the first to declare their intent to build merchant generating stations under a new law that gives the state more control over merchant plants -- those that intend to sell electricity on the open market, likely out of state.

A state board can now consider environmental, economic and community concerns for proposed plants, and the law also requires that any local planning and zoning laws be followed.

Patton announced yesterday that he intends to lift the moratorium this week on granting permits to new power plants. It has been in effect since last June.

The new law means the moratorium isn't needed now, Patton told his Energy Policy Advisory Board. The purpose of the moratorium was to give the 2002 General Assembly time to act on issues raised by numerous power-plant proposals in the state, said Patton's deputy cabinet secretary Mike Haydon.

There have been 29 proposed plants -- nearly all merchant plants -- for Kentucky since October 1999.

The law ''strikes a good balance'' between maintaining the state's low-cost energy and the need to make sure environmental, economic and community concerns are addressed, Haydon said.

And for the first time it provides a ''seat at the table for local input,'' he added.

EnviroPower filed a notice April 26 with the state Public Service Commission for its 520-megawatt Kentucky Mountain Power coal-fired plant proposed for Knott County.

The state's Natural Resources and Environmental Protection Cabinet has already granted the company a key air-pollution permit.

Because of the new law, however, the plant must go through the review process spelled out by the General Assembly, including approval by a new ''siting board'' that's attached to the state PSC.

EnviroPower officials did not return calls last week or yesterday to discuss their application.

Peabody's notice, dated May 2, covers its Thoroughbred Energy Co.'s proposed plant near Central City.

The state has issued the company a draft air-quality permit, despite pollution concerns raised by the U.S. Environmental Protection Agency and Mammoth Cave National Park, which would be downwind from the plant.

The plant has widespread support locally, Muhlenberg Judge-Executive Rodney Kirtley said. He hopes the new review process won't create any significant delays.

Company spokeswoman Beth Sutton said she's optimistic it won't create delays.

''We are still targeting delivery of between 2005 and 2007,'' she said.

But power-plant builders will have new conditions to meet.

The siting law gives the state, through the siting board and the Natural Resources Cabinet, its first authority to consider a full array of issues.

The siting board will focus on such issues as location, noise, appearance, traffic, economics, and whether the project will affect the state's electrical grid, said Andrew Melnykovych, a PSC spokesman.

The Natural Resources Cabinet will continue to decide whether to issue air, water and waste permits. But now it also must make sure the companies' proposals take into account ''cumulative impacts'' -- or the extent to which a plant, along with other industrial sources, may affect the environment.

Cabinet officials sometimes did this in the past, but not always, cabinet spokesman Mark York said.

Companies also will have to provide cabinet officials with a full array of environmental information at the start of the review process, rather than allowing it to trickle in during separate permit processes.

''That will give us a much more comprehensive review of that power plant up front,'' York said. ''That will be a big help.''

And besides giving local government a voice, the law allows residents to request a public hearing.

The law should help Jefferson County better follow how emissions from power plants might affect air quality in metro Louisville, said Art Williams, director of the Jefferson County Air Pollution Control District.

''It's a positive and an important step toward better regulation,'' he said.

Attorney Lloyd Cress, who works with the Kentucky Chamber of Commerce, said the law may inspire greater confidence in the state's regulatory system.

But that's about all, he said. The reviews ''probably won't substantially change the outcome'' because the state was already scrutinizing the plants, Cress said.

Tom FitzGerald, director of the Kentucky Resources Council, an environmental group, said much will depend on how well agencies follow the law.

As the first plants get into the regulatory pipeline, the public needs to watch closely because how the law is applied to them may set a precedent, FitzGerald said.

Much is at stake, he added.

^^ Back to top

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Herald story on the business front:

Posted on Wed, May. 15, 2002

Patton calls for 20-year plan to shape policies on energy By Jack Brammer HERALD-LEADER FRANKFORT BUREAU

FRANKFORT - Gov. Paul Patton wants Kentucky to come up with a 20-year plan to shape its energy policy.

"Now is the time to be proactive," Patton said yesterday to the Kentucky Energy Policy Advisory Board, which is supposed to come up with the plan.

The board is a task force of policy-makers and industry insiders Patton handpicked last summer to study the effects 24 proposed power plants would have on the state's environment and electricity transmission grid.

Patton informed the board that he would sign an order to lift a moratorium he had placed last year on new power plant applications.

The moratorium is no longer needed, Patton said, because of legislation enacted in this year's General Assembly dealing with the siting of power plants.

The board will be working on a long-term energy plan for the state without Jack Conway, who has been its chairman since its inception.

Conway, a Democratic candidate for the 3rd Congressional District in Jefferson County, said he is resigning from the panel, effective today. He said he did not think it was appropriate for him to be involved in designing a long-term energy policy for the state while he was in the political arena.

Patton said he did not ask for Conway's resignation but agreed with the decision. He appointed Annette DuPont-Ewing, the board's executive director, to replace Conway.

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Patton

News Stream, 5/15/02

KENTUCKY GOVERNOR TO LIFT NEW POWER PLANT BAN

FRANKFORT, KY - - - After nearly a year-long moratorium, Kentucky Governor Paul Patton said yesterday the state once again will accept applications for proposed new electric power plants.

Patton said the ban could be lifted because of newly-enacted state legislation that gives it more authority to control the location of plants.

Patton ordered a moratorium in June of last year after companies filed applications to build 29 electric generating plants.

All but four applications were for "merchant" plants, so named because they sell power on the open market and were unregulated by the Public Service Commission.

Officials said at the time that many of the applications were filed speculatively. Thirteen applications -- specifically, applications for air-quality permits -- actually are pending, according to the Natural Resources Cabinet. (Combined news reports)

May 12, 2002

Peabody Energy Clips

A sampling of the past week's Editorial FLETCHER'S INTERFERENCE PATTON'S APPOINTMENTS HERALD-LEADER May 12, 2002

U.S. Rep. Ernie Fletcher is pressuring the U.S. Environmental Protection Agency to support Peabody Energy's mine-side project in Muhlenberg County, even though cleaner technologies are just around the corner. EPA reviewers had pointed out that Kentucky issued a draft permit without analyzing several pollutants, including sulfuric acid mist, mercury, fluorides and volatile organic compounds. We realize that Kentucky politicians, especially those with statewide ambitions, will champion coal. It's scary, nonetheless, when elected officials, sworn to serve the public interest, try to shut down questioning by a government agency.

Patton calls on energy panel to be proactive HERALD-LEADER Posted on Tue, May. 14, 2002

Gov. Paul Patton wants Kentucky to come up with a 20-year plan to shape its energy policy.

"Now is the time to be proactive," Patton said Tuesday, addressing the Kentucky Energy Policy Advisory Board that is charged with coming up with the plan.

The board is a task force of policy makers and industry insiders whom Patton handpicked last summer to study the effect 24 proposed power plants would have on the state's environment and electricity transmission grid.

Patton informed the board that he would sign an order to lift a moratorium he had placed last year on new power plant applications.

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May 10, 2002

MESSENGER-INQUIRER

OWENSBORO, KY FRIDAY 31,862 MAY 10 2002

Regional water system on agenda

By David Blackburn Messenger-Inquirer

GREENVILLE — City officials hope to get some guidance about Greenville's water and sewer problems at a meeting Tuesday to discuss the possibility of a county water sys-

The Pennyrile Area Development District has invited representatives from cities in Muhlenberg County and part of McLean County to the 10 a.m. meeting at the Career Advancement Center in Powderly.

"One way or the other, it will be a good thing," City Administrator Harold Sumner said Thursday during Greenville City Council's meeting in the City Building Annex.

The city will find out if there is enough interest to warrant participating or if it will have to figure out other ways to upgrade its water sys-

tem, he said.
"We're going to have to do something to address the problem of our raw water supply," Sumner said.

Mayor Ruthie Lewis noted that the city has been affected by drought the past three summers.

Members of the development district and the Kentucky Infrastructure Authority will discuss forming a regional commission with officials from Greenville, Central City,

Drakesboro, Livermore and Sacramento.

Members of Tennessee Valley Authority, Peabody Energy and Muhlenberg County Water Districts 1 and 2 also are invited, as are judge-executives from both counties.

Sumner said the proposed coalfired Thoroughbred Energy power plant near Central City is expected to increase the demand for water, and the state is urging a move toward regionalized systems.

"I think this (the meeting) opens the door for us to come back and say, We tried," Sumner said.

In a related matter, Sumner passed along recommendations from the city Utilities Commission to increase water and sewer rates and hook-up fees to help pay for improvements at the sewer treatment plant.

The rate change, which would be based on usage, is required if the city decides to get a low-interest, \$2.24 million Infrastructure Authority loan through the state Division of Water.

The rate changes will increase the average monthly bill by \$8.88 for sewer and \$4.60 for water.

In other business, the council received from Sumner a copy of a proposed \$1.769 million budget that will be only 2.2 percent larger than this fiscal year.

Sumner said the loss of the buildings next door that once housed E.A. Cohen and Son Hardware Store. Knight Motors and the Hair Station will mean the city will not be able to collect \$30,000 to \$40,000 in property

The buildings were razed this year to make room for a two-story, 16,000square foot county judicial center.

The budget will be the topic of a public hearing at 6 p.m. May 23 in the City Building Annex. The first

reading of the budget likely will be done in the council's June meeting, Sumner said.

In other business, the council gave final approval to create a zero-lot line district in its residential zoning along Paradise Street. The change allows homes in a proposed subdivision there to be built on smaller lots than usual

David Blackburn, 338-6580, dblackburn@messenger-inquirer.com

MESSENGER-INQUIRER

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Fiscal Court to write resolution urging union jobs on plant

Messenger-Inquirer

GREENVILLE — Magistrates agreed Thursday to use a Penrod woman's letter as a guideline for a resolution asking Peabody Energy to use local tradespeople to build a proposed coal-fired power plant.

But the court stopped short of agreeing to incorporate all of Dora Mercer's letter, which claims the new Kirtley said he is trying to iobs created by the Thoroughbred Energy project near Central City belong to local workers.

Peabody does not need "to bring in outsiders to fill the jobs that rightfully belong to our Muhlenberg County tradesmen and women," the letter said.

Mercer read the letter during the court's biweekly meeting in the Muhlenberg County Courthouse.

She said it comes amid speculation that Peabody has talked to Texas-based Zachry Construction Corp., which uses union and nonunion laborers, and that the firm would use mostly its own workers to build the proposed plant near Central City.

Peabody has downplayed those concerns and stressed that no general contractor has ben selected. Peabody officials have said they expect the plant construction and operation to have "significant local benefits.

Mercer said she represented 700 workers in the county who are members of the Boilermakers Local 40 in Elizabethtown. She said her husband, brother and son belong or once belonged to the

The letter's wording, and the insistence that only Muhlenberg Countians should be hired, might keep the plant from being built, taking away any hopes of jobs, Magistrate Malcolm West said.

"I think it's a little stout," said West, a self-proclaimed union supporter. "We need to get the plant

Mercer insisted a stout message is needed.

We've got people hurting for jobs," she said. "The union can't do

anything once it's built. I'm asking you all to keep that from happening. This is getting the message across to back off or we'll make 'em back off.'

West responded, "I don't want to draw a line in the sand when there hasn't even been a shovel of

County Judge-Executive Rodarrange a meeting with H.B. Zachry through Peabody to find out if, or how many, tradespeople will be used to build the plant.

Kirtley said he has asked local union representatives to be prepared to be competitive when they negotiate.

The court is slated to review the resolution request May 23.

In other matters, the court voted to close part of the Jagoe Cemetery Road near Central City for up to seven years so it can be used by a small mining operation nearby.

The action came at the request of attorney Harry Mathison, who represents Schoate Mining Co. in Henderson. Schoate recently opened an operation just off the Kentucky 189 Bypass.

About a mile of the road will be closed beyond the Jagoe Cemetery in the southeastern corner of the intersection of the bypass and the Wendell H. Ford Western Kentucky Parkway. Access to the Jagoe Cemetery will not be affected, Kirtley said.

Also, the court received a request of \$176,500 for the coming fiscal year from the Muhlenberg County Fire and Rescue Associa-

Association president Ricky King, the Central City fire chief, told how the money would be used.

The Greenville, Central City, Bremen, Drakesboro, Graham and Beechmont departments would receive \$25,000 each. Dunmor would get \$15,500, and Nelson Creek would get \$11,000.

David Blackburn, 338-6580, dblackburn@messenger-inquirer.com

May 8, 2002

The Evansville Courier/The Henderson Gleaner Unions don't like firm given Station Two job By CHUCK STINNETT Gleaner staff May 8, 2002

Over objections of union construction workers, the Henderson Utility Commission voted Tuesday night to award a \$35 million contract for new pollution control equipment at the city's Station Two power plant.

The contract went to Alstom Power Inc., a Knoxville-based operation that intends to use Zachry Construction Corp., a non-union company from San Antonio, Texas, as its construction contractor.

Union workers wanted the contract awarded instead to Babcock Borsig Power Inc., which planned to use Industrial Contractors Inc., an Evansville-based construction company that uses union workers.

Alstom's bid totaled \$35.1 million; Babcock's amounted to \$38.2 million, more than \$3 million higher.

Utility commission attorney C.B.West said that under state law, Henderson Municipal Power and Light was "required to award the contract to the lowest qualified contractor ...

"We have no right to evaluate whether they are union affiliated or not, or whether they will use local workers or not," West said.

"I think your obligation is to choose the lowest responsible bidder," Gary Osborne, president of the International Brotherhood of Electrical Workers Local 1701 in Owensboro, countered. "How responsible is it to hire a contractor that will take \$13 million in wages to another community?

"Now, it could say in the morning newspaper that the ratepayers will save \$5 million," he said. "But the bad news is, Henderson loses 100 or 125 jobs."

The typical number of craft, or skilled, workers on the job will be closer to 45, said Paul Yosick, Alstom's business development manager.

But he acknowledged later that for two six-week periods when construction peaks, that could jump to 125 craftsmen.

Union advocates— who are also protesting Peabody Energy Corp.'s decision to use Alstom and Zachry to build its proposed Thoroughbred power plant in Muhlenberg County— also provided commission members reports of safety issues concerning Zachry.

But Yosick insisted later, "Zachry's safety record is phenomenal."

David Pattison, the project manager from Burns & McDonnell (HMP&L's consulting engineer), told the commission that Zachry is "very qualified to perform this work."

After the meeting, he added, "We're very comfortable with Zachry."

Utility commission Chairman Pete Lambert said HMP&L had received a spoken assurance from Zachry that it would hire local workers if they were qualified and passed physicals and drug tests.

Moreover, attorney West said, "I'd suggest that if we award the contract to Babcock, Alstom could sue the city for damages for not awarding it to the lowest bidder."

Lambert and board members Darrell Littrell and Annettee Hudgions expressed sympathy for the cause of the dozen or so union members on hand for the meeting.

"I don't like it personally," Lambert told them. "I'd like to go on record saying that on a contract of this size, I'd rather see it go local."

The three voted unanimously to award the contract to Alstom. Two other board members, Dale Sights and Dr. Bill Smith, were not present, though Lambert said he like to give them an opportunity to vote for the record later.

Also recommending that the contract go to Alstom were HMP&L General Manager Jeff Garner and his staff; plant operator Western Kentucky Energy Corp.; and Big Rivers Electric Corp.

HMP&L uses about 30 percent of the plant's power and will be responsible for that portion of the project costs. WKE will pay the rest.

The project involves designing and constructing a selective catalytic reduction (SCR) system to reduce by 90 percent the emissions of nitrogen oxides.

Those gases, a byproduct of burning coal, are a component of summertime ozone, commonly called smog, that is harmful in high levels to people with breathing difficulties.

The U.S. Environmental Protection Agency is requiring Midwestern utilities to reduce their nitrogen oxides emissions by abouts two-thirds by summer 2004.

Peabody Energy eyes Kentucky air permit

ow that the Kentucky Legislature has passed a power plant siting bill, Peabody Energy hopes to have an air permit issued by April 28 for its Thoroughbred power plant in western Kentucky.

Months ago, Gov. Paul Patton froze issuance of air permits for new coal plants in the state so the Legislature could come up with a better permitting procedure that takes into account the number of new

plants being permitted. Permit work continued on existing applications, such as Thoroughbred, in the meantime.

The siting bill just passed in a "veto" session of the Legislature sets up the needed permit system, said Jacob Williams, Peabody's vice president for generation development. Williams, speaking April 23 at the Platts Coal Properties & Investments Conference, pointed out that the turmoil in financial markets after the

Enron bankruptcy pushed Peabody out of the hunt for a partner to build the plant. Capital has been hard to find for power developers.

Peabody concentrated on the plant permit process in the meantime. Now the partner hunt is getting back into gear, Williams said.

Thoroughbred is a 1,500-MW plant to be located at a new, 5.6-million-ton/yr mine at Peabody's Gibraltar complex,

Peabody moves on Mustang project

Peabody Energy recently began the air permitting on its Mustang power project in New Mexico—the last of three projects that will get all Peabody's power-development efforts from this point forward.

Jacob Williams, Peabody vice president for power generation, said the three projects represent about \$5 billion in total capital investment. He said that's about enough for Peabody to handle for now in power development.

Mustang, a 300-MW project, would be built at Peabody's planned South Hospah mine in New Mexico. South Hospah is next to Peabody's existing Lee Ranch mine. Peabody applied with the state for the air permit on the plant in February. Williams said the permit covers a pulverized-coal facility, but that the emissions specs are wide enough to cover fluidized-bed combustion if regulators think that technology is the way to go.

The other two projects are virtually identical, 1,500-MW power plants in Kentucky (the Thoroughbred project) and Illinois (Prairie State).

Peabody Makes Senior Management Changes

Peabody Energy this week announced several key management changes. 'eabody said the changes will allow it o focus more on growing its core and new energy businesses, with special emphasis on maximizing value from the company's 300,000 acres of surface lands and 9.1 billion ton coal reserve base, the company said.

Peabody is adding several new positions to supplement its corporate development functions.

Assigned new tasks were Mark Schroeder, VP of corporate development, and Kenneth Allen, VP of resource development and conservancy.

Schroeder will have responsibility for growing Peabody's core businesses in North America and abroad, while Allen will be take control of implementing entrepreneurial strategies for Peabody's surface and coal reserve holdings. Both will report to executive VP - corporate development Roger Walcott Jr.

Executive VP and CFO Rick Navarre will take on additional responsibilities for investor and public relations functions. Navarre will also have more esponsibility for cost management for the operations, as well as added involvement in business development transactions to ensure that they enhance shareholder value.

VP - public and investor relations Vic Svec will report to Navarre. Robert Reilly, VP - taxes, and Steven Schaab, VP and treasurer, will continue to report to Navarre. In positions still to be filled, the VP of finance and the controller will also report to Navarre.

Terry Bethel, VP - real estate development will be responsible for various initiatives to further develop Peabody's land holdings. Reporting to Allen, he most recently served as VP - administrative services.

In addition, Sharon Fiehler has been named executive VP - human resources and administration. Here responsibility will be increased to include information technology, certain shared services and benefit cost management activities.

Coal Daily, 4/12/02

Ky. Plant Siting Bill Still Up For Debate

Kentucky lawmakers bogged down in budget battles may fail to resolve some major disputed legislative bills, including one that would strictly regulate where some two dozen proposed merchant power plants can be built. Meanwhile, the governor is preparing to sign into law new black lung rules.

After a 10-day break, legislators are scheduled to reconvene Monday (April 15) for the final day of their regular 60-day legislative session. The day has traditionally been set aside for last-minute votes on bills, or to override any vetoes by the governor.

Supporters of the power plant siting bill remained hopeful this week that lawmakers would vote to pass the legislation (CD 3/20/02), after weeks of wrangling that resulted in compromises that appear to please the state's existing utilities (CD 3/09/02; 2/11/02).

But lawmakers are consumed in a bigger fight, divided along party lines, over the state's \$35 billion proposed budget. And that could get in the way of the siting bill.

"There are still two or three versions of the [siting] bill out there," said David Gooch, president of the Kentucky Coal Operators & Associates, an industry group closely watching the bill's progress. "Who knows how it will come out?"

The bill, which favors coal-fired plants and contains some exemptions for utilities already regulated by the Kentucky Public Service Commission, is seen as a way to break a moratorium placed on power plant applications by Kentucky Gov. Paul Patton, after the state was flooded with 29 permit requests last year (CD 12/19/01; 6/19/01). All but four are for merchant plants.

If the bill fails to pass, the moratorium could stay in place, Gooch said, or the governor could come up with his own plan, created by executive order, that would set up siting rules.

One option, considered a longshot, is that Patton would force the legislature to take up the siting bill in a special session that could be called in July. Political observers predict Patton will have to call a special session to resolve the bitter budget standoff, now divided along party lines. The governor has the sole power to determine what issues can be taken up during the session.

Meanwhile, Patton has scheduled a bill-signing ceremony for Monday for the black-lung reform bill that came out of the state legislature (CD 4/4/02). The bill rolls back reforms Patton pushed for 1996, which sharply reduced the number of black lung claims that were approved by the state's worker's compensation program.

In Brief . . .

The National Coal Council will discuss its latest study on increasing electricity availability from coal-fired power plants at a May 7 meeting in Washington, D.C. An advisory group to the Secretary of Energy, the council will also review several other issues. The council will have presentations on coal combustion byproducts in building construction, as well as cofiring biomass with coal. For more information, contact Margie Biggerstaff at (202) 586-3867.

August 28, 2002

Opinion On Thoroughbred

The US Department of Interior has removed what appears to be a major obstacle to Peabody Energy's plans to build a 1,500-MW coal-fired power plant in Muhlenberg County,

Κv.

Last late week, the department notified Kentucky air quality officials that it was reversing a National Park Service finding that claimed air pollution from the proposed Thoroughbred Generating Station would significantly reduce visibility at nearby Mammoth Cave National Park. State regulators were notified of the decision in a letter from

Craig Manson, DOI's assistant secretary for fish, wildlife and parks (CD 8/8/

01; 2/12/02).

Opponents of the plant immediately responded with allegations that the DOI reversal had more to do with political pressure than

air quality.

"It's a craven capitulation to Peabody, one of President Bush's major campaign contributors, at the expense of public health and the environment," said David McIntosh, an attorney for the Natural Resource Defense Council.

Peabody officials called McIntosh's allegation "a silly claim." The National Park Service had opposed the plant, and specifically objected to the SO₂ limits allowed in a proposed permit issued by the state to Thoroughbred. But in the DOI letter to the Kentucky **Division of Air Quality**, Manson said his staff and Peabody officials reached a compromise solution on the SO₂ limits. The compromise would allow Peabody to operate the plant for two years at an emission rate allowed by the state, in return for an agreement to reduce SO₂ emissions after two years.

"This good-faith commitment on the part of Thoroughbred Generating Station further confirms our comfort level with the issuance of their permit," Manson wrote.

Peabody is still in negotiations with proposed operators of the plant.

Fitch Ratings has affirmed its investment grade BBB rating on the corporate senior unsecured notes and unsecured bank revolver of Peabody Energy's Black Beauty Coal subsidiary. Earlier this month, Fitch raised Peabody's ratings to Positive from Stable (CD 8/16/02).

August 27, 2002

Coal & Energy Price Report, 8/27/02

Market Commentary

Peabody Energy's Thoroughbred Project in Muhlenberg County, KY, scored a significant victory when the federal Department of the Interior overruled an unfavorable ruling by the National Park Service with regard to visibility at the Mammoth Cave National Park.

The Interior Department has crafted a compromise with Peabody under which Thoroughbred would be allowed to operate for two years above the level thought by the government necessary to prevent visibility at Mammoth Cave from being affected.

After two years, Peabody would be required to comply with emission regulations.

Thoroughbred is billed as one of the cleanest coal-fired generating stations and it would be fueled by coal from Peabody mines in western Kentucky. The 1,500-MW plant certainly would be a boon to the beleaguered western Kentucky coal industry. It has received significant local support and is one

of several mine-mouth generators Peabody could build in various parts of the country.

Earlier this year, Peabody revealed the results of an independent economic study that concluded the proposed Thoroughbred Energy Campus would inject \$3.35 billion into the Kentucky economy in new spending, job creation and induced economic activity during the life of the project. These benefits equate to a \$98 million economic injection each year, according to Peabody.

Muhlenberg County would gain \$704 million in new spending and nearly 10,000 job years, and the 17-county area surrounding the facility, which includes Muhlenberg, would benefit from \$2.62 billion in total economic spending and an average of 38,000 job years over the project life, according to Peabody.

Thoroughbred is slated to be in operation some time between 2005 and 2007. The plant is modeled to be the lowest-emitting 1,500-MW pulverized coal plant east of the Mississippi River.

Peabody also has indicated that the plant is modeled at a dispatch position that is ahead of the region's coal plants and gas plants, as well as below some nuclear plants

The Thoroughbred economic study was developed by an independent firm and was based upon project assumptions provided by Peabody.

Megawatt Daily, 8/27/02

Peabody's planned Ky. plant gets major boost

Peabody Energy's plans to build a 1,500-MW coal-fired merchant plant in Muhlenberg, Ky., cleared a major hurdle when the Dept. of Interior reversed an earlier decision that found the plant would likely degrade visibility at nearby Mammoth Cave National Park.

Plant opponents, including environmental groups, had pinned hopes of stopping the project largely on agency's earlier concerns that the \$2-billion plant would "adversely impact visibility" in the popular national park about 50 miles east of the plant site.

Craig Manson, Interior's assistant secretary for fish, wildlife and parks, last

week told the Kentucky Division for Air Quality that the previous objections were based on information provided by Peabody and reflected in a preliminary air permit issued the state agency issued to the company in January.

Peabody, however, later submitted a new air modeling analysis to the National Park Service's Air Resources Division that painted a much better picture of the air quality effects.

"The revised analysis identified errors in meteorological data used in [the plant's] prior analyses, and suggests that there would be no adverse impacts on visibility at Mammoth Cave National Park," Manson said in the letter. "Our staff experts have talked to [the plant's] consultants, carefully reviewed this new information, and verified the validity of the results. Therefore, I withdraw the previous adverse impact finding."

Manson also asked that the Division

for Air Quality lower the proposed 24-hour sulfur dioxide emission level from 0.41 pounds per million Btu to 0.23 pounds per million Btu in the final air permit.

Peabody, which is still searching for a joint venture partner to actually operate the plant and sell its output, says the plant could be in commercial operation by 2006.

Louisville Courier-Journal

Louisville, KY Tuesday, August 27, 2002

EDITORIALS

Peabody Energy, a

big contributor to

George W. Bush

a deplorable con-

cession:

and the Civil with

High-sulfur smell

HE U.S. Interior Department's capitula-tion to Peabody Energy, one of America's great coal combines, is predictable but regrettable. It will not only compromise visitors' experience in Mammoth Cave National Park but also serve as a precedent for more environmental surrender.

The National Park Service has warned that Peabody's proposed Thoroughbred Generating Station, a 1,500-megawatt high-sulfur coal-burning unit to be built 50 miles to the west in Muhlenberg County, will reduce

visibility in a place that's a **favorite** American tourists. But an Interior official, Craig Manson, says his department will accept two years' worth of air pollution, in ex-change for an agreement to

lower emission limits after that.

Why such a concession to Peabody is justified remains unclear, except that Peabody was one of George W. Bush's best campaign contributors. Of course, the company says drawing inferences from that is "silly." But then vested interests always dismiss such charges of quíd pro quo.

Often they are right. Often there is no explicit agreement to exchange a specific amount of campaign cash for some particular benefit. There's no need for that. The expectations on both sides are understood. Indeed, some candidates come from (1) a personal background or (2) a political base that makes it absolutely predictable

they'll bend over backward to favor business over consumers or workers. George W. Bush qualifies on both counts.

You think things like this don't come to the attention of the White House? Think again. Three Kentucky congressmen - Ron Lewis, Ernie Fletcher and Ed Whitfield - recently wrote to the U.S. Environmental Protection Agency, boosting the Peabody proposal and scolding EPA employees for their official comments on it. And for talking to reporters about them!

Presumably to underline

their unhappiness, they also sent a copy to Bush's main political strategist, Karl Rove.

Kentucky Republicans have reason to be especially happy with Peabody, not only for its cash gifts to their party's na-

tional standard-bearer but for helping pay the mortgage on a new state GOP headquarters— before such \$5,000 "soft money" gifts from firms that want something from government become illegal on Nov. 6, as part of federal campaign finance reform.

Don't ask Peabody about this. You'll just got a carefully craft-ed answer: "We remain committed to environmental performance that everybody will be able to be proud of. We take our environmental responsibilities seriously."

Politics is supposed to be the art of using mirrors and blue smoke. In this case, the smoke also is high-sulfur. You can tell by the smell.

August 26, 2002

News Stream, 8/26/02

DOI REVERSES DECISION ON PROPOSED COAL-FIRED POWER PLANT

MUHLENBERG COUNTY, KY - - - The U.S. Interior Department has reversed a National Park Service decision that air pollution from a proposed coal-fired power plant in Western Kentucky would significantly hamper visibility at Mammoth Cave National Park.

Peabody Energy has announced plans to build a 1,500-megawatt, coal-burning power plant in Muhlenberg County, 50 miles west of the park. The plant, to be called Thoroughbred Generating Station, would burn high-sulfur Western Kentucky coal, much of it from Peabody mines.

In a letter last week to state air-quality officials, Craig Manson, the Interior Department's assistant secretary for fish, wildlife and parks, said his agency is accepting a compromise allowing Peabody to operate for two years at an emissions level that the National Park Service believes will hurt visibility. In return, Peabody would agree to the state's lowering the emissions limits after two years.

The Interior Department's decision was criticized by an environmental lawyer.

"It's a craven capitulation to Peabody -- one of President Bush's major campaign contributors -- at the expense of public health and the environment," said David McIntosh, an attorney for the Natural Resource Defense Council.

A Peabody official dismissed the accusation as "a silly claim."

Manson wrote in his letter to Kentucky officials that the federal government's own study found that the 24-hour sulfur dioxide emission rate in the proposed state air-quality permit would have to be cut nearly in half for there to be no impact on visibility at Mammoth Cave.

Manson wrote that data from Peabody consultants show that the company could not reduce pollution to the level the National Park Service wanted.

Referring to Peabody's agreement to lower the level after two years, Manson wrote, "This good-faith commitment on the part of Thoroughbred Generating Station further confirms our comfort level with the issuance of their permit."

McIntosh said the compromise involving Peabody, state officials and the Interior Department ignores the environmental harm that could be caused in two years.

ENVIRONMENTALISTS USE ADS TO BLAST BUSH ON CLEAN AIR CHANGES

INDIANAPOLIS, IND. - - - The National Resources Defense Council is paying for a series of television ads in six states which attack the Bush administration's plan to allow aging power plants to get bigger without necessarily getting cleaner.

The Indiana commercials tell Hoosiers to call U.S. Sens. Evan Bayh and Richard Lugar and urge them "not to let big business rewrite the laws that protect our air."

Neither senator joined 44 of his colleagues earlier this month in asking the administration to reconsider the proposed change.

Indiana, one of the states with the most polluting power plants, has resisted federal efforts to tighten regulations.

Gov. Frank O'Bannon was among the Midwestern and Southern governors who complained to the Environmental Protection Agency in 1998 about efforts to reduce the pollutants that cause ground-level ozone.

Perhaps it's not surprising then that Bayh's and Lugar's offices said they have received few calls from constituents in response to the ads.

Late this week, Lugar, a Republican, had received 65 calls -- an amount his office said was minor for an issue -- and Bayh, a Democrat, none. (Combined news reports)

August 25, 2002

Louisville Courier-Journal

Louisville, KY Sunday, August 25, 2002

Power plant pollution finding reversed

· Associated Press

The U.S. Interior Department has reversed a National Park Service finding that air pollution from a proposed power plant in Western Kentucky would significantly hamper visibility at Mammoth. Cave National Park.

Peabody Energy wants to build a 1,500-megawatt, coal-burning power plant in Muhlenberg County, 50 miles west of the park. The plant, to be called Thoroughbred Generating Station, would burn high-sulfur Western Kentucky coal, much of it from Peabody mines.

In a letter last week to state air-quality officials, Craig Manson, the Interior Department's assistant secretary for fish, wildlife and parks, said his agency is accepting a compromise allowing Peabody to operate for two years at an emissions level that the National Park Service believes will hurt visibility. In return, Peabody would agree to the state's lowering the emissions limits after two years.

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Referring to Peabody's agreement to lower the level after two years, Manson wrote, "This good-faith commitment on the part of Thoroughbred Generating Station further confirms our comfort level with the issuance of their permit."

McIntosh said the compromise involving Peabody, state officials and the Interior Department ignores the environmental harm that could be caused in two

years.

August 24, 2002

MylnKy

To print this page, select File then Print from your browser

URL: http://www.myinky.com/ecp/news/article/0,1626,ECP_734_1345446,00.html

Interior rules Peabody power plant poses no threat to Mammoth Cave

By MARK WILSON Courier & Press staff writer 464-7417 or mwilson@evansville.net August 24, 2002

The U.S. Department of the Interior has removed a major obstacle to Peabody Energy's plans for building a Western Kentucky power plant.

Opponents of the plant are charging that the decision has more to do with campaign contributions than air quality, an allegation a Peabody official dismissed as "a silly claim."

"It's a craven capitulation to Peabody - one of President Bush's major campaign contributors - at the expense of public health and the environment," said David McIntosh, an attorney for the Natural Resource Defense Council.

In a letter to Kentucky air quality officials Thursday, Craig Manson, the Interior Department's assistant secretary for fish, wildlife and parks, reversed a National Park Service finding that air pollution from the proposed coal-fired power plant in Muhlenberg County would significantly hamper visibility at nearby Mammoth Cave National Park.

Peabody is seeking to build a 1,500-megawatt, coal-burning power plant, to be called Thoroughbred Generating Station, 50 miles west of the park. The plant would burn high-sulfur Western Kentucky coal, much of it from Peabody mines. It would emit up to 22 million pounds of sulfur dioxide into Kentucky skies each year.

Opponents are charging that the decision has more to do with campaign contributions than air quality.

The St. Louis-based company has yet to find an operator to run the plant. Opponents of the project said the reversal flies in the face of the National Park Service's own air quality experts and was made after Manson's staff met with representatives of Peabody Energy Corp. The Park Service had previously called for stricter pollution limits on the plant.

"Since the Park Service recognizes that we need stricter pollution limits on Thoroughbred to prevent visibility haze at Mammoth Cave, the agency should be a guardian of the national parks instead of protecting a big Bush campaign contributor," McIntosh said.

Park Service officials found that Thoroughbred would have an adverse impact on visibility at Mammoth Cave National Park at the level at which the Kentucky Division of Air Quality wants to allow the plant to emit sulfur dioxide.

The proposed permit includes a 24-hour sulfur dioxide emission rate of 0.45, and Peabody agreed to lower that rate to 0.41 to meet short-term air quality standards. It also includes an additional limit that would be complied by averaging emissions over a 30-day period.

However, Manson noted in his Aug. 22 letter to Kentucky that the federal government's own study found that the 0.41 limit would have to be cut nearly in half, to 0.23, for there to be no negative impact on visibility at Mammoth Cave.

"We would prefer that Kentucky Division of Air Quality lower the 24-hour sulfur dioxide level," Manson said in the letter. He then went on to write that data from Peabody consultants shows that the company could not reduce sulfur dioxide pollution to the level the Park Service wanted and still meet the additional 30-day limit.

As a compromise, according to the letter, the Interior Department is accepting a deal allowing Peabody to operate for two years at the higher 0.41 percent limit the Park Service believes will hurt visibility. In return, Peabody would agree to the state's lowering the emissions limits after two years.

"This good-faith commitment on the part of Thoroughbred Generating Station further confirms our comfort level with the issuance of their permit," Manson wrote.

McIntosh said the compromise deal involving Peabody, Kentucky and the Interior Department ignores the environmental harm that could be caused in those two years.

Peabody spokesman Vic Svec said the decision was a sound one.

"We remain committed to environmental performance that everybody will be able to be proud of," Svec said. "We take our environmental responsibilities seriously."

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Interior rules Peabody power plant poses no threat to Mammoth Cave

August 24, 2002

EVANSVILLE, Ind.- An environmental lawyer is criticizing a decision by the U.S. Department of the Interior that reverses a finding over air pollution from a proposed power plant in western Kentucky.

"It's a craven capitulation to Peabody _ one of President Bush's major campaign contributors _ at the expense of public health and the environment," said David McIntosh, an attorney for the Natural Resource Defense Council.

A Peabody official dismissed the accusation as "a silly claim."

In a letter to Kentucky air quality officials, Craig Manson, the Interior Department's assistant secretary for fish, wildlife and parks, reversed a National Park Service finding that air pollution from the proposed plant in Muhlenberg County would significantly hamper visibility at nearby Mammoth Cave National Park.

Peabody wants to build a 1,500-megawatt, coal-burning power plant, to be called Thoroughbred Generating Station, 50 miles west of the park. The plant would burn high-sulfur western Kentucky coal, much of it from Peabody mines.

The proposed permit for the plant includes a 24-hour sulfur dioxide emission rate of 0.45. Peabody agreed to lower that rate to 0.41 to meet short-term air quality standards.

Manson wrote in his Aug. 22 letter to Kentucky officials that the federal government's own study found that the 0.41 limit would have to be cut nearly in half, to 0.23, for there to be no impact on visibility at Mammoth Cave.

"We would prefer that Kentucky Division of Air Quality lower the 24-hour sulfur dioxide level," Manson said in the letter. He then went on to write that data from Peabody consultants shows that the company could not reduce sulfur dioxide pollution to the level the Park Service wanted.

As a compromise, according to the letter, the Interior Department is accepting a deal allowing Peabody to operate for two years at the 0.41 percent limit the Park Service believes will hurt visibility. In return, Peabody would agree to the state's lowering the emissions limits after two years.

"This good-faith commitment on the part of Thoroughbred Generating Station further confirms our comfort level with the issuance of their permit," Manson wrote.

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August 23, 2002

Interior Department Ignores Own Analysis, Gives Green Light to Increased Haze at Mammoth Cave National Park

From: Natural Resources Defense Council Friday, August 23, 2002

WASHINGTON -

The Interior Department yesterday reversed a National Park Service finding that air pollution from a proposed coal-fired power plant in western Kentucky would significantly hamper visibility at nearby Mammoth Cave National Park. The agency's blessing for the plant came just two days before a bluegrass festival celebrating Mammoth Cave at Wolf Trap, an outdoor pavilion run by the National Park Service near Washington, D.C.

"Bluegrass fans will be dancing on the lawn at Wolftrap to celebrate Mammoth Cave, but they will have no idea that the Interior Department just okayed more pollution in one of our most popular national parks," said David McIntosh, an attorney at NRDC (Natural Resources Defense Council). "That's not something to celebrate."

In an August 22 letter to the state of Kentucky, Craig Manson, the Interior Department's assistant secretary for fish, wildlife and parks, rejected the conclusions of career National Park Service officials after his staff met with Peabody Energy Corp.

Peabody wants to build a 1,500-megawatt plant, dubbed Thoroughbred, 50 miles west of the park, and then find an operator to run the plant. The plant would burn Peabody's dirty high-sulfur coal and emit 22 million pounds of sulfur dioxide into the skies over Kentucky every year. The air at Mammoth Cave is already more polluted than at nearly every other park in the country. The proposed plant, said McIntosh, would only make that pollution worse. "It's a craven capitulation to Peabody -- one of President Bush's major campaign contributors -- at the expense of public health and the environment," he said.

According to internal Interior Department documents obtained by NRDC, Park Service officials found that Peabody's Thoroughbred power plant would have an adverse impact on visibility at Mammoth Cave National Park at the level at which Kentucky wants to allow the plant to pollute (a 24-hour sulfur dioxide (SO2) limit of 0.41 lbs/MMBtu). National Park Service officials determined that the level would need to be reduced by nearly *half* for there to be no adverse effect on visibility at Mammoth Cave (an SO2 limit of 0.23 lbs/MMBtu). Yesterday's letter from the Interior Department to the state repeats those findings, while expressing a "preference" that the state lower the limit from 0.41 to 0.23 lbs/MMBtu.

But the Interior Department refuses to act on its own analysis, and the letter fails to state that Kentucky should make it an actual legal requirement that the Thoroughbred plant may not pollute at levels that would have an adverse haze impact on Mammoth Cave. The Interior Department letter describes a deal cut by Peabody, Kentucky and the Bush administration in which the Thoroughbred plant would be *allowed* to operate at a level (0.41 lbs/MMBtu for SO₂) that would hinder visibility in the park, while being given a two-year operating window at the end of which the state would determine whether Peabody would be willing to accept a lower limit.

"It's a sad day for America's parks when the policy of the Bush administration is 'Pollute first and ask questions later,' " said McIntosh. "Since the Park Service recognizes that we need stricter pollution limits on Thoroughbred to prevent visibility haze at Mammoth Cave, the agency should be a guardian of the national parks instead of protecting a big Bush campaign contributor."

The <u>Natural Resources Defense Council</u> is a national, nonprofit organization of scientists, lawyers and environmental specialists dedicated to protecting public health and the environment. Founded in 1970, NRDC has more than 500,000 members nationwide, served

from offices in New York, Washington, Los Angeles and San Francisco.

Related Documents

Letter from Craig Manson to state of Kentucky, 8/23/02 in PDF format, 178k.

For more information, contact: David McIntosh, John Walke, or Elliott Negin Natural Resources Defense Council 202-289-6868

Web site: http://www.nrdc.org

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Local leaders show their support for Thoroughbred



Local chamber presidents David Higgs, left, and Gary Jones, right, discuss the bumper sticker promoting the Thoroughbred Energy Campus. (Leader-News Photo/Rita Dukes)

By RITA DUKES Leader-News Editor

Several local leaders have shown their support for the proposed Thoroughbred Enorgy Campus at public gatherings.

But the two local chamber presidents have taken it a step farther by having bumper stickers printed which read: "Thoroughbred—Yos! Clean Energy For America."

The green stickers with white lettering also have an art clip of a running horse and state that they are sponsored by the Central City and Greenville Chamber of Commerce.

Greenville Chamber President Gary Jones said the idea for the stickers came up after a chamber meeting.

It seemed like a good way to show community support for a much-needed industry, said Jones.

"This is the biggest thing to possibly happen in this county since TVA built a plant here," said Jones. "We want and need it here."

Higgs said the plant is an economic factor at this point. He is satisfied with the Kentucky Division of Air Quality's findings to grant a construction permit for the plant.

"I wanted to make the statc-

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Chambers support plant

Continued from A-1

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. By printing and offering the bumper stickers at the chamber meeting, the presidents hope to send a message that the plant is welcome in Muhlenberg County.

Questions about whether the mine which will supply coal for the 1,500 megawatt plant to be built in Central City will be a United Mine Workers Mine have risen.

Those questions dominated a recent air quality hearing by the state Division of Air Qual-

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Employment issues are im-

portant, said Higgs.

"These are valid issues," said Higgs. But, let's get it here and then discuss other issues which are valid."

Jones noted the importance of coal — a resource Muhlenberg County has an abundance of - to maintain the current low electrical rates in Kentucky and to benefit a nation whose appetite for electricity is increasing expeditiously.

According to the Kentucky Coal Council, Kentucky has the lowest electrical rates in the nation.

A state which boasts low electric rates is enticing to other industries which might locate here, said Jones.

Higgs said the importance of building the plant for economic growth in the county is tantamount to the next generation.

"The spin off jobs created by this plant will be tremendous,"

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Y. UUZ/UUZ

"This is not about me," he said, "It's about my 9-year-old . son."

Jones said the importance of the plant and industries which might locate here because of it, will be not only be an economic boon but important to the tax base and school system.

"We're losing a lot of Muhlenberg Countians when they graduate college and move somewhere else to work and start a family," said Jones. "They know there's not many jobs here to come back to."

Higgs noted the lack of industrial growth in the county for several decades and the potential for growth which will be created by the power plant.

"We're either growing or falling behind," said Higgs.

August 21, 2002

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Local chamber presidents David Higgs, left, and Gary Jones, right, discuss the bumper sticker promoting the Thoroughbred Energy Campus. (Leader-News Photo/Rita Dukes)

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September 30, 2002

EVANSVILLE COURIER & PRESS

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The National Parks Conservation Association, Appalachian Voices and Our Children's Earth looked at 11 years of National Parks Service data to develop the report, "Code Red: America's Five Most Polluted Parks." Summer visibility averages just above 14 miles at Mammoth Cave National Park, according to the report, compared to a 70- to 110-mile average that would exist without manmade pollution. About 2 million people visit the park each year. Among the problems identified in the report are ozone pollution, acid rain and high nitrogen and sulfur pollution. Two large power plants are near the park and Peabody Energy is proposing to build a third.

September 30, 2002

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More than \$1 million in federal grants will help Indiana conserve endangered species.

By MARK WILSON Courier & Press staff writer 464-7417 or

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mwilson@evansville.net

September 30, 2002

Previous Local News Monday, Sep 30 Sunday, Sep 29 Saturday, Sep 28 Friday, Sep 27 Thursday, Sep 26 Wednesday, Sep 25 The two grants from the U.S. Fish and Wildlife Service include \$587,000 for Indiana bat conservation and \$850,000 for least tern conservation.

State receives \$1 million in endangered species

Indiana bats have declined about 50 percent in number. The species depends on forest land and caves for habitat. The grant will help the state put into action a special model for species conservation on actively managed, harvested forest land.

The \$850,000 grant will be used to acquire nesting habitat for least terns and to support a conservation plan developed by Cinergy to protect the endangered shorebird. Least terns nest next to Cinergy's Gibson Generating Station in Gibson County. The nesting colony is one of only two known colonies east of the Mississippi River. A report relesed recently by three conservation groups ranks Mammoth Cave as the third most polluted national park in the country. In the same report, the Western Kentucky cavern and its surrounding park also share the title of haziest park with the Great Smoky Mountains National Park of Tennessee and North Carolina.

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If in fall you sometimes find yourself yearning for more than just a splash of the autumn colors you might see around town, visit www.in.gov/enjoyindiana/sub/leaf cam.asp.

Several of Indiana's state parks have placed Leaf Cams to capture the changing fall foliage, and they're automatically updated every few minutes. If you look now, you'll still see mostly green leaves, but bookmark it with your Internet favorites and check it out in a few weeks.

Speaking of trees in fall, if you think the approaching end of

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Tuesday, Sep 24

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growing season means you can stop worrying about your trees for awhile, think again. Fall is one of the best times to examine the safety and health of your trees. Although most trees can be pruned all year, according to the National Arborist Association, some tree-trimming may best be done in fall when it is easier to see and remove dead branches. Removing dead branches is important to prevent infection and decay from reaching into the tree trunk. It also reduces the chance of personal injury and property damage from falling branches.

September 29, 2002

MESSENGER-INQUIRER

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Coal ash from plants worrisome

EPA developing updated disposal standards

Associated Press 3535 LOUISVILLE — Environmental leaders are worried that growing mounds of ash from coal-fired power plants could be releasing potentially toxic heavy metals into groundwater and streams.

The nation's coal-fired power plants are producing more than 100 million tons of ash each year. A byproduct of burned coal, the ash is sometimes converted for use in products such as wallboard and cement, but 70 percent ends up in landfills, settling ponds and old strip mines.

The energy industry has long argued that the material is not harmful. But the issue of regulation is drawing increased attention as power companies propose additional coal-fired power plants, The Courier-Journal reported Thursday. There are proposals for eight such new plants in Kentucky, including <u>Reabody Energy</u>'s Thoroughbred plant in Muhlenberg County. Together, they would produce 6 million additional tons of ash annually. Two additional plants are proposed for Indiana.

A toxic plume of heavy metals from coal ash may have ruined the drinking-water wells of 30 families in the northern Indiana town of Pines, said Kenneth Theisen, onsite coordinator for an EPA emergency response team sent to the town.

Theisen said power plant ash buried in a landfill and scattered around town as construction fill is

some homes near the landfill have revealed boron levels 13 times higher than the agency uses to decide whether federal money can be tapped for remediation.

High doses of boron can damage the stomach, liver, kidneys and brain, according to the U.S. Agency for Toxic Substances and

Disease Registry.

When water was tested from a ditch that flows next to the landfill, it showed considerably higher levels of pollutants than water tested upstream from the landfill, he

"A coincidence? I don't think so," Theisen said.

The EPA is developing new dis-

the likely culprit. EPA tests at posal standards that are scheduled to be released in early 2004. The federal agency came close to classifying ash destined for landfills, ponds or strip mines as hazardous two years ago, after it found that 86 percent of groundwater samples taken near ash landfills contained arsenic levels more than 10 times the EPA's new health standard.

There are some very legitimate concerns in certain situations, but generally there should "Even though certain regula-not be concern for heavy metals; tions are on the books, are they (washing) out of coal ash," said protective?" asked Bob Logan, Bill Caylor, executive director of is blown out of proportion."

Some scientists back the indus- supposed to be?'

try's assertions.
"You get the impression we are drowning in the stuff," said Tom Robl, associate director of the University of Kentucky's Center for Applied Energy Research. "No, we are not, and is the material haz-ardous? Not really."

However, the critics are moving at least some in government to suggest that coal ash needs to be treated with more caution.

commissioner of the Kentucky the Kentucky Coal Association. Department for Environmental "This public fear of heavy metals is blown out of proportion." Protection. "We have always had a question. Is this material what it's

September 26 & 27, 2002

MURRAY LEDGER & TIMES

MURRAY, KY 8,000 THURSDAY SEP 26 2002

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COMMONWEALTH JOURNAL

SOMERSET, KY 10,500 FRIDAY SEP 27 2002

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RICHMOND REGISTER

RICHMOND, KY THURSDAY 7,700 SEP 26 2002

Burrelle's

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Some worry power plant will pollute ies over Mammoth Cave

By DYLAN T. LOVAN Associated Press Writer

LOUISVILLE, Ky. Environmentalists \mathbf{who} ranked Mammoth -Cave among national parks with the dirtiest air fear a proposed coal-fired power plant nearby would further pollute its skies. 🤼

Mammoth Cave was third on the list of the nation's most polluted parks, compiled by the nonprofit National Parks Conservation Association.

But with a 1,500-megawatt power plant expected to start generating power in 2008 just 50 miles west of the park environmentalists say the skies above Mammoth Cave will only get hazier.

"There's already an existing problem," said Jill Stephens, spokeswoman for the parks association's southeast office. "Any additional pollutional increment will only worsen the situation."

The parks association and two other / environmental groups, Appalachian Voices and Our Children's Earth, used park service data in the

study, released Monday. Stephens said the hazy pollution that hangs above the park now ruins visibility and air quality.

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The Thoroughbred energy plant would be the merchant type, generating power and then selling it on the open market. The energy may or may not be used in Kentucky.

"The simplest way to say it is that our modeling results show that the Thoroughbred plant will have no visible impacts at Mammoth Cave or anywhere in the region," said Beth Sutton, a spokeswoman for Peabody Energy. She said the results were based on a three-year study of sulfur dioxide emissions, the main contributor to haze

"It will be one of the cleanest major coal plants east of

the Mississippi," Sutton said.
A study by the National Park Service, also released on Monday, says visibility at Mammoth Cave is among the worst in the country. That study also found that air quality has improved or not worsened in more than half of 32 monitored parks since 1990.

Bob Carson, an air quality specialist at Mammoth Cave, said coal-burning plants contribute to the problem.

"A lot of the sulfates origi-Energy, which is developing nate from coal being burned

"That's a problem just about everywhere east of the Mississippi River."

The plant is still in its early stages, and Peabody must acquire an air quality permit from the state, Sutton said. She said the plant would create about 450 jobs.

The parks association, a nonprofit organization dedicated to protecting national parks, said in its survey that visibility at Mammoth Cave is reduced to about 14 miles from June to August. Estimated average natural visibility there is about 113 miles, the survey said.

The survey said the Great Smoky Mountains is the nation's most polluted national park, and Shenandoah National Park in Virginia was rated second.

WINCHESTER SUN

WINCHESTER, KY THURSDAY 7,316 SEP 26 2002

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Some worry power plant will pollute skies over Mammoth Cave

By DYLAN T. LOVAN **Associated Press Writer**

LOUISVILLE, Ky. (AP) Environmentalists who ranked Mammoth Cave among national parks with the dirtiest air fear a proposed coal-fired power plant nearby would further pollute its skies.

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September 25, 2002

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URL: http://www.myinky.com/ecp/home/article/0,1626,ECP_775_1441039,00.html

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September 24, 2002

COURIER-JOURNAL

224,043 THESDAY SEP 24 2002

Burrelle's

Air quality low in Mammoth Cave area

Visibility ranks worst among U.S. national parks

By JAMES BRUGGERS jbruggers@courier-journal.com The Courier-Journal

Visitors to Kentucky's Mammoth Cave National Park can see, on average, only 17 miles from its ridgetops the worst visibility of any national park in the United States.

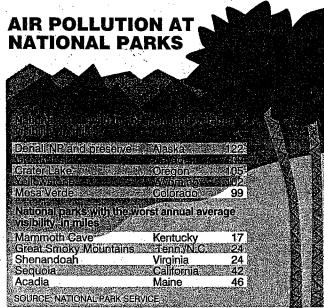
During the peak summer tourist season, visibility drops to 14.4 miles.
Those facts were highlighted in two air-pollution reports made public yesterday,—one by a coalition led by the National Parks Conservation Associ-ation and the other by the National Park Service.

The overall conclusions of the two

reports, however, differed markedly. While the environmental group's report gave a grim assessment of the air-quality problems of the nation's five most polluted parks, the Bush administration's report emphasized that air quality in national parks nationwide

quality in national parks nationwide has improved over the past decade. "Our findings also show that some parks occasionally experience pristine air quality conditions, unaffected by air pollution," Park Service Director Fran Mainella said in a statement.

But not in Kentucky, where 53,000-acre Mammoth Cave park had the worst average visibility and tied for worst summer visibility with Great Smoky Mountains National Park in Tennessee and North Carolina.



BY DEVON MORGAN, THE COURIER-JOURNAL

Both reports note that ground-level ozone — a contributor to summer smog — is actually getting worse at Mammoth Cave.

The environmental group also found acid-rain levels in the park 10

times higher than natural conditions.

"People have heard before that Great Smoky Mountains is one of the most polluted parks," said Jill Ste-

phens, program coordinator for the environmental group's Southeast re-gional office. "But they haven't heard hat about Mammoth Cave.

She blamed the visibility and acidrain problems on the region's reliance on coal for generating electricity.

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"We believe the plant will have no significant impact on visibility" in the park, Beth Sutton said.

Coal burning is getting cleaner every year, agreed Bill Caylor, executive director of the Kentucky Coal Association, who added that the costs of additional pollution controls need to be balanced with the public's desire for low electricity bills.

Caylor suggested visibility shouldn't be an issue at Mammoth Cave, whose main attractions lie beneath the Earth's surface.

"Everybody that goes to Mammoth Cave goes underground," he said.

Mammoth Cave officials vigorously disputed that assertion.

Of the park's 2 million annual visitors, only 25 percent enter the cave network, said park spokeswoman Vickie Carson.

The park is a popular destination for hikers, canoeists, campers and sight-seers. It has 31 miles of rivers and 70 miles of hiking trails.

COURIER-JOURNAL

LOUISVILLE, KY TUESDAY 224,043 SEP 24 2002

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Reports cite air-quality problem in Mammoth Cave area

Visibility, at 17 miles from ridgetops, ranks worst among U.S. national parks 3535 Robood World War

By JAMES BRUGGERS

jbruggers@courier-journal.com The Courier-Journal

Visitors to Kentucky's Mammoth Cave National Park can see, on average, only 17 miles from its ridgetops - the worst visibility of any national park in the United States.

During the peak summer tourist season, visibility drops to

Those facts were highlighted in two air-pollution reports made public yesterday - one by a coalition led by the National Parks Conservation Association and the other by the Na-

tional Park Service.

The overall conclusions of the two reports differed markedly, however.

the environmental While group's report gave a grim as-sessment of the air-quality problems of the nation's five most polluted parks, the Bush administration's report empha-sized that air quality in national parks nationwide has improved over the past decade.

"Our findings also show that some parks occasionally experi-

ence pristine air quality conditions, unaffected by air pollu-tion," Park Service Director Fran Mainella said in a statement.

But not in Kentucky, where the 53,000-acre Mammoth Cave park had the worst average visibility and was tied for worst summer visibility with Great Smoky Mountains National Park in Tennessee and North and 70 miles of hiking trails.

reports note that ground-level ozone - a contrib-

utor to summer smog — is actually getting worse at Mammoth

The environmental group also found acid-rain levels in the park 10 times higher than natural conditions.

'People have heard before that Great Smoky Mountains is one of the most polluted parks, said Jill Stephens, program coordinator for the environmental group's Southeast regional of-fice. "But they haven't heard that about Mammoth Cave.

She blamed the visibility and acid-rain problems on the re-gion's reliance on coal for generating electricity.

Cars and trucks are a main cause of ground-level ozone, Stephens added.

The environmental group's report suggests that the proposed Thoroughbred power plant in nearby Muhlenberg County needs the toughest pos-

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But a spokeswoman for Peabody Energy, which has proposed Muhlenberg plant, said it will be among the cleanest-burning coal plants in the country.

"We believe the plant will have no significant impact on visibility" in the park, Beth Sutton said.

Coal burning is getting cleaner every year, agreed Bill Caylor, executive director of the Kentucky Coal Association, who added that the costs of additional pollution controls need to be balanced with the public's desire for low electricity bills.

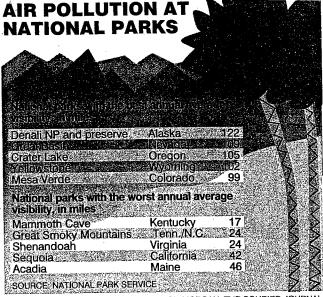
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BY DEVON MORGAN, THE COURIER-JOURNAL

Kentucky's 53,000-acre Mammoth Cave **National Park was tied for worst summer** visibility with Great Smoky Mountains **National Park in Tennessee and** North Carolina.

September 24, 2002

Louisville Courier-Journal Louisville, KY

Tuesday, September 24, 2002

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jouggers@courier-journal.com

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Louisville Courier-Journal

Louisville, KY Tuesday, September 24, 2002 continued from B-1

Mammoth Cave-area pollution woes cited

Continued from Page B 1

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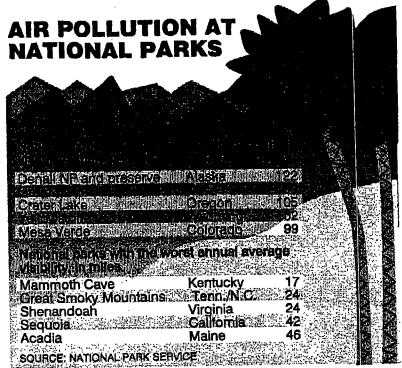
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September 23, 2002

New Report Ranks Most-Polluted National Parks Eleven years of data reveal parks suffer air pollution worse than that of many cities

Washington, DC - A new report released today by three conservation groups shows that air in national parks is more polluted than that of many urban areas. **Code Red: America's Five Most Polluted National Parks**, produced by Appalachian Voices, the National Parks Conservation Association (NPCA), and Our Children's Earth, ranks the most polluted parks as follows:

- 1. Great Smoky Mountains National Park in Tennessee and North Carolina
- 2. Shenandoah National Park in Virginia
- 3. Mammoth Cave National Park in Kentucky
- 4. Sequoia-Kings Canyon National Parks in California
- 5. Acadia National Park in Maine

"In the Great Smoky Mountains, our most polluted national park, ozone pollution exceeds that of Atlanta, Georgia, and even rivals Los Angeles, California," said Harvard Ayers, chairman of Appalachian Voices.

The study uses an air-pollution index, developed by Appalachian Voices for two earlier studies, to rank the five most-polluted national parks based on haze, ozone, and acid precipitation. The index compares data collected from 1991 through 2001 at ten national parks with the most extensive monitoring programs. It assesses progress made during the decade since passage of 1990 amendments to the Clean Air Act, the most recent changes to the law.

"National parks have seen little to no improvement despite the most recent amendments to the Clean Air Act," said Don Barger, NPCA's Southeast regional director. "For example, pollution from outdated power plants continues to harm parks and people, when there's no reason older power plants cannot meet modern pollution control requirements."

The impacts of air pollution are evident throughout the National Park System. For example, Yosemite in California ranked third in the analysis for ozone exposure, and Big Bend in Texas has some of the worst visibility in the West, and it is getting worse.

"New statistics from the World Health Organization show that in the United States, air pollution annually kills nearly twice as many people as do traffic accidents and that deaths from air pollution equal deaths from breast cancer and prostate cancer combined," said Tiffany Schauer, executive director of Our Children's Earth Foundation.

Most park air pollution from human sources comes from burning fossil fuels - coal, oil, and gas. Power plants and industrial facilities as well as cars, trucks, planes, trains, and construction equipment produce fossil-fuel pollution. Although pollution from power plants varies by region, this one sector emits excessive amounts, especially in the eastern half of the country.

Federal laws mandate that national parks should have the cleanest air in America, but this requirement remains unfulfilled. The Bush Administration's legislative and administrative proposals for changing air-protection laws and programs reduce progress toward this promise to parks, jeopardizing public health. Code Red offers recommendations critical to reversing park pollution, including:

- The Bush Administration must implement and enforce existing programs of the Clean Air Act, such as the Regional Haze Rule, including the Best Available Retrofit Technology (BART) amendment and the New Source Review program.
- · Federal legislation must be enacted to make timely, sizeable cuts in powerplant emissions of sulfur dioxide, nitrogen oxides, mercury, and carbon dioxide.
- · Emissions from mobile sources must be reduced, and vehicle efficiency must be increased.
- \cdot In the absence of strong federal action to reduce emissions, states must find ways to protect themselves, such as controlling in-state sources of pollution in order to ensure timely reductions.
- "Air pollution in the national parks is a national crisis that requires national solutions," said Joy Oakes, director of NPCA's Clean Air for Parks and People campaign. "A key part of the solution is for the Bush Administration to enforce existing pollution laws. Unfortunately, the Administration is abandoning programs essential to cleaning up the air in our parks and communities."

Ten-Year Study Shows Improvement in Air Quality in National Parks

NPS Director acknowledges that additional work needs to be done

WASHINGTON -- National Park Service (NPS) Director Fran Mainella today announced that the findings of a 10-year study show air quality is improving or remaining stable in more than half of the national parks monitored.

"The report shows that in most parks, air quality exceeds standards set by the Environmental Protection Agency to protect public health and welfare," Mainella said. "Our findings also show that some parks occasionally experience pristine air quality conditions, unaffected by air pollution."

The NPS has been studying air quality in parks for more than 20 years and currently is conducting monitoring activities in 60 NPS areas. The NPS air quality monitoring program provides information on ozone levels, acid rain, and visibility impairment in parks.

From 1990 –1999, of the 28 parks that were monitored for visibility, 22 had improving visibility conditions on the clearest days. Acid rain monitoring was conducted in 29 parks; the primary components of acid rain are sulfates and nitrates. Twenty-five parks are showing a decrease in sulfate levels, while 14 show a decrease In nitrate levels. Fourteen parks showed lower levels of both sulfates and nitrates. Ground-level ozone concentrations were monitored at 32 parks, and the results indicate that ozone levels in eight parks are improving while levels were degrading in 16 parks.

Under the Clean Air Act, park managers have a responsibility to protect air quality related values, including visibility from the adverse effects of air pollution.

"Information in this report will help us to protect air quality related values from the adverse effects of air pollution by communicating information about air quality

conditions in parks to the public and to state, federal, and tribal authorities," Mainella said.

The NPS is attempting to improve air quality in parks by working cooperatively through partnerships with a variety of stakeholders in developing air pollution control strategies and regulations; promoting pollution prevention practices in parks; and reviewing permit applications for new and modified air pollution sources near parks.

In 1977, Congress established a national goal of remedying any existing and preventing any future human-caused visibility impairment in most of the largest national parks. Unfortunately, air pollution currently impairs visibility to some degree in every national park.

The best visibility occurs in Denali National Park (NP), Alaska, and in an area centered around Great Basin NP, Nevada. The worst visibility occurs in eastern parks such as Mammoth Cave NP, Kentucky; Shenandoah NP, Virginia, and Great Smoky Mountains NP, Tennessee/North Carolina. Decreased visibility is also being seen at the Texas and Mexico border at Big Bend NP, Texas, and at Mesa Verde NP, Colorado. For most of the country, visibility tends to be best during the winter months and worst during the summer. Sulfate particles formed from sulfur dioxide emissions associated with fossil fuel combustion, mostly from electric generation facilities, accounts for 60 to 80 percent of the visibility impairment in the eastern parks and 30 to 40 percent of the impairment in western states.

Acid rain monitoring reveals high elevation ecosystems in the Rocky Mountains, Cascades, Sierra Nevada, southern California, and the upland areas of the eastern United States are the most sensitive to acid rain. Streams in Shenandoah NP and Great Smoky Mountains NP are suffering from acid rain and brook trout fisheries in Shenandoah have been affected. Subtle changes are occurring in aquatic conditions at Rocky Mountain National Park, Colorado. The

upper Midwest, New England, Florida, shallow bays and estuaries along the Atlantic and Gulf Coasts are also sensitive.

Ground level ozone is one of the most widespread pollutants affecting vegetation and public health throughout the world and is caused by the reaction of nitrogen oxides and volatile organic compounds in the presence of sunlight. Plants are generally more sensitive to ozone than humans, and the effects range from visible injury on leaves, premature leaf loss, reduced photosynthesis and reduced growth.

Concern for public health and safety has led to an ozone advisory system, which notifies and informs the public when ozone levels in parks become unhealthy. Ozone injury to vegetation has been identified in Shenandoah, Great Smoky Mountains, Sequoia, Kings Canyon, Yosemite, and Lassen Volcanic NPs. Parks in the Pacific Northwest and Intermountain West experience lower levels of ozone pollution than parks in other regions of the country, but an increasing ozone trend is evident in the Colorado Plateau and Rocky Mountain regions.

To review the report online, visit:

http://www2.nature.nps.gov/ard/pubs/aqnps.htm. Copies of the report, expected from the printer October 7, can be obtained by contacting Dee Morse, NPS Air Resources Division, dee_morse@nps.gov, 303/969-2817.

September 21, 2002

502

Louisville Courier-Journal

Saturday, September 21, 2002 Louisville, KY

CLEAN, LOW-COST ELECTRICITY GENERATION

visibility at Mammoth Park. parties. editorial about Peabody's inilistives to permit one of the cleanest coal-fueled plants east of the Mississippi was based on accusations and assumptions that had no basis in: fact. Ironically, it concluded by A recent Courier-Journal

saying: "Don't ask Peabody about this" - and no one from your paper had. Consider that: Thoroughbred is a model for cure, low-cost energy source that will create jobs and pronew generation, providing a semote economic progress.

Thoroughbred's emissions Air Act standards designed to will be far better than Clean protect health and visibility.

Peabody has strengthened its emission controls to protect

stronger than the Clean Air Act limit of 0.85. quires. Thoroughbred will take Kentucky coal with a sulfur content of approximately 8 lbs. per million Btu and reduce the plant's sulfur dioxide emissions to 0.167 on a 30-day average of 1.07 and is far rolling average. This compares favorably with the national At issue is the erroneous premise that the administra-tion agreed to accept two the environment and preserve years of air pollution in ex-The project enjoys strong and national levels and in both support from officials at local

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Vice President Thoroughbred. We're happy to use some of our energy to shine a light on new, clean, low-cost electricity generation. So please do ask us about

Public and Investor Relations Peabody Energy St. Louis, Mo. 63101

September 20, 2002

VALUE LINE INVESTMENT SURVEY

NEW YORK, NY WEEKLY 100,000 SEP 20 2002

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Earnings Dividends

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Peabody Energy is benefiting from coal-supply agreements signed last year. A jump in the price of natural gas in early 2001 led to considerably greater coal demand. This scenario enabled the company to ny to contract higher prices for this year's deliveries. In the June quarter alone, average revenues per ton rose 8% and 11% at its east and west U.S. operations, respectively, from the year-ago figure. This enabled Peabody to sidestep some of the weakening fundamentals in the domestic coal market. Although the bottom line has been helped by favorable pricing, lessened demand led management to temporarily idle the company's Big Mountain operations in West Virginia earlier in the year. This slowdown, in turn, was triggered by last winter's mild temperatures.

We look for a strong earnings gain in 2003. Our expectations are that a return to full capacity at the Big Mountain mine will help boost operating margin by about one percentage point next year. Also, a recent arbitration ruling has set higher per-ton pricing on eight million tons of coal sales annually to the Navajo Generation Station in Page, AZ. This will not only in-

crease prices under contract, but has raised the price on 42 million tons of coal supplied from 1997 through 2001. Management expects a one-time \$0.30-per-share benefit in 2002 from the prior coal shipments, but we have excluded it from our estimates because of its non-recurring nature

Peabody's longer-term growth pros-Peabody's longer-term growth prospects are sound. Further progress has been made in the acquisition of permits for two new coal-fueled electric power generating plants, the Thoroughbred Energy Campus in Western Kentucky and the Prairie State Energy Campus in southern Illinois. Both facilities ought to be among Illinois. Both facilities ought to be among the cleanest, lowest-cost coal-fueled power plants in the region. It should enhance Peabody's earnings during the 2005–2007 period. Moreover, our projections assume that the company will benefit from an improved economy and a related increase in coal demand. coal demand.

This unranked stock offers decent 3to 5-year appreciation potential. We also expect the company's capital structure to be much improved by 2005–2007.

Charles W. Noh September 20, 2002

(A) in July 2001, fiscal year end changed to 5/22/01 IPO. Excludes non-recurring gain ex-div'd early Nov. Div'd print. dates occurring December 31 from March 31, Nine month stub ended 12/31/01. (B) Diluted earnings. Next earnings may not sum due to change in share (E) Unranked due to short trading history.

Company's Financial Strength Stock's Price Stability Price Growth Persistence Earnings Predictability NME To subscribe call 1-800-833-0046.

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September 18, 2002

ENVIRONMENTAL POLICY ALERT

WASHINGTON, DC BI-WEEKLY SEP 18 2002

AIR

SOFTWARE GLITCH CAUSING ERRORS IN AIR POLLUTION ESTIMATES IN PARKS

A bug recently discovered in federally designed software used since 1995 to incorporate meteorological data in visibility modeling is part of the reason the National Park Service (NPS) took the embarrassing step last month of reversing its earlier assessment that a proposed coal-fired power plant near the Mammoth Cave National Park would harm air quality in the park.

The bug, which erroneously inserts calm winds into the modeling mix that in turn increase projected pollution levels, has also impacted other visibility modeling for projects near national parks, according to sources with the NPS. And while park service employees say they are addressing the issue by notifying permit applicants who may be using the software, there is no wholesale attempt to flag the error. There is also no apparent attempt to address the problem by the National Climatic Data Center (NCDC), the agency that developed the program, according to NCDC sources who were unaware that there was a problem and were unfamiliar with the software. "It doesn't ring a bell," one NCDC source says. "Obviously it's not something we distribute every day."

The error was discovered late last year by Earth Tech, the company that designed the visibility model known as CALPUFF, after the company was hired by Peabody Energy Company to check the modeling results of a Peabody subcontractor that projected visibility impacts of a coal-fired plant it hopes to build near Mammoth Cave park in Kentucky. The contractor found greater visibility problems than Peabody and NPS expected to discover, according to an NPS source familiar with the issue.

But the park service did not question the results because most employees were unfamiliar with the impacts from coal-fired utilities since it had been decades since such a plant had been built, an NPS source says. In February, NPS told the state of Kentucky that the plant would create adverse air quality impacts in the park.

However, as the park service was completing its comments on the proposed power plant, Peabody submitted the new results that showed a less significant air quality impact. Because the deadline for comments was fast approaching, NPS did not take the new results into account in its comments, but when the state of Kentucky decided to reopen the comment period this summer, NPS reviewed the new results and, in part because of those findings, changed its stance Aug. 22, boosting the likelihood that the permit will be issued.

In a March 11 letter explaining the error to NPS, Earth Tech asked the park service to "request the authors of the NCDC extraction software investigate the cause of the error and provide a fix." Relevant documents are available on InsideEPA.com. See page 2 for details.

But NPS sources say they do not recall anyone making such a request and note they have not followed up with NCDC. Instead, a park service source says the agency has always made its own software "available to anyone who asks for it. And we have certainly alerted applicants or potential applicants to the potential problem." Additionally, NPS has written software for PCs that is being tested, and if it tests well NPS would offer it to EPA to post on its website.

The NCDC software is used to extract specific geographical weather data from EPA databases that collect and store yearly data for the entire country. The error was discovered when data from 1990 was extracted and run on a Windows NT system. The error did not occur when data from 1992 and 1996 were used, but the error was unpredictable because Earth Tech could not replicate it when it tried to address the problem, according to the company's letter to NPS.

In the meantime, a source familiar with the model says the NCDC software may be causing other, less-obvious errors and the bug should be tracked down and corrected. While the authors of CALPUFF could provide a "patch" to fix the insertion of calm air, this source suggests the company would be reluctant to do so because, without knowing the extent of the bug, such a patch could cause even more glitches.

One source says the problem appears not to apply just to NT but is also affected by a computer's individual configuration. For now, if a user of the model suspects a bug, the best this source can suggest is to run the extraction software on a different computer.

The source says NPS has discovered other applicants that have had similar problems and believes that the government, which still encourages the use of the 1990 data in conjunction with the CALPUFF program, is obligated to find the error and fix it. In addition to NPS and EPA, other federal agencies that use the model and the related extraction software include the Forest Service, Bureau of Land Management and the U.S. Fish & Wildlife Service.

But the NPS source says in addition to internal "word-of-mouth" efforts it has made, the park service expects to gradually move away from the 1990 data, which was specifically prepared to be used with the CALPUFF model, and begin encouraging use of the 1992 and 1996 data sets because those programs include tighter grids that do not appear to have the same extraction problems. "We may be solving the problem a different way by doing it ourselves," this source notes.

September 18, 2002

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90

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In Response: Article about Peabody based on accusations, assumptions

By VIC SVEC Special to the Courier & Press September 18, 2002

A recent Courier & Press article ("Interior rules Peabody power plant poses no threat to Mammoth Cave," Aug. 24) about Peabody Energy initiatives to permit one of the cleanest coal-fueled plants east of the Mississippi River was based on accusations and assumptions that had no basis in fact. Consider that:

Thoroughbred is a model for new energy generation, providing a secure, low-cost energy source that will create jobs and promote economic progress.

Thoroughbred's emissions will be far better than Clean Air Act standards designed to protect health and visibility.

Peabody has strengthened its emission controls to protect the environment and preserve visibility at Mammoth Park.

The project enjoys strong support from officials at local and national levels and in both political parties.

At issue is the erroneous premise that the administration agreed to accept two years of air pollution in exchange for an agreement to lower emission limits after that. In fact, Thoroughbred's emissions will be far better than Clean Air Act standards designed to protect public health and visibility. The plant's emissions will be far better than the national average, far better than Kentucky's best coalfueled plants and far better than what the law requires. Thoroughbred will take Kentucky coal with a sulfur content of approximately 8 pounds per million Btu's and reduce the plant's sulfur dioxide emissions to 0.167 on a 30-day rolling average.

This compares favorably with the national average of 1.07 and is far stronger than the Clean Air Act limit of 0.85.

And to ensure that Thoroughbred is particularly responsive to National Park Service concerns, the company also is accepting a 24-hour SO2 emission limit of 0.41 pounds per million Btu's, a belt-and-suspenders approach not required by law but proposed to offer additional protection. Initial Park Service concerns regarding this rate were based on: 1) flawed initial modeling that was corrected in subsequent models that better tracked weather events; and 2) incorrect assumptions that modeled constant daily 0.41 emissions. The 24-hour rate is a ceiling, not a floor. From a practical standpoint, the plant simply cannot emit at this level even three days each month and still meet the more rigorous 30-day standard. With this in mind, the Park Service viewed the modified data and agreed to revisit the 24-hour standard after the new advanced

technölogies are operating for several years.

The story further attempts to tie the Park Service decision to an exaggerated claim about Republican political contributions. Yet government officials of all political stripes at local, county, state and federal levels have supported the project because it represents improved environmental performance, a stronger economy, greater national security and jobs and low-cost energy for Kentuckians.

We believe Thoroughbred is a project that represents clean, low-cost electricity generation, and we look forward to continuing to develop a project of which all of us can be proud.

September 16, 2002

Kentucky developer may speed coal plant project

Renewed interest nationally in coalfired generation and, in particular, a 1,000-MW merchant coal project proposed for Henderson County, Ky., is causing The Erora Group to consider accelerating development plans for the Cash Creek Generation plant, an Erora official said Thursday.

The \$1-billion project has attracted little attention since the Henderson Board of Zoning Adjustment approved a conditional use permit for Cash Creek on Oct. 22, 2001.

David Schwartz, a principal in Erora, a Louisville, Ky.-based independent power development company comprised of former LG&E Energy power marketers, recalled his company planned to spend 2002 proceeding with the time-consuming process of seeking regulatory approvals for Cash Creek.

But a recent surge of interest in the project is sparking "internal debate" on whether to speed up the development pace, he said.

"Within the past two to three months, interest has picked up," he said. "To us, what is more important than the expressions of interest and the discussions that arise from those is the trend seems to be going up in terms of the level of interest and the parties' interest."

From the beginning, Erora has said it had no plans to actually own or operate the plant. "Our plan is to bring in a significant party to own and operate the facility," Schwartz said.

Schwartz would not identify the parties that have indicated interest in the project. He did, however, confirm that discussions are underway with one or more parties.

Schwartz said Erora still thinks the plant could be operational by late 2006 or early 2007.

Megawatt Daily, 9/16/02

Coal Outlook, 9/16/02

Ky. siting board okays Knott County project

nviroPower affiliate Kentucky Mountain Power has gained state approval to construct a 520-MW coal-fired power plant in Knott County, Ky.

The Kentucky State Board on Electric Generation and Transmission Siting said that KMP "was the first, and thus far only, applicant" seeking permission from the relatively new board to proceed with a power generation project. The siting board was created earlier this year by the Kentucky General Assembly to oversee the siting of power plants not regulated by the Kentucky Public Service Commission.

The KMP facility will be located on a reclaimed coal mine in southwest Knott County, about eight miles from Hazard. The plant will burn a combination of newly mined coal and coal fines.

EnviroPower, affiliated with Horizon Natural Resources (formerly AEI Resources), broke ground last year on the Knott County project amid a flurry of publicity, and had planned similar projects in Kentucky, Ohio, Indiana and Illinois in a spate of activity during 1999-2000 (CO 7/2/01). Several of these projects, however, have since been put on the back burner

The Kentucky siting board said that no other applications are under consideration, though four companies have filed notices of intent to submit applications: Peabody Energy's Thoroughbred project in Muhlenberg County, Estill County Energy Partners (Calla Energy), Westlake Energy Corp. in Calvert City/Marshall County, and Kentucky Pioneer Energy in Clark County.

September 12, 2002

KENTUCKY UTILITY PERMIT MAY BE BELLWETHER FOR NEW COAL GENERATION

Date:

September 12, 2002 -

Plans by the state of Kentucky to permit Peabody Energy Company to build a large coal-fired generating station-the first new unit of its kind to be constructed in the eastern United States in years-may provide a major test case in the battle between states, activists and federal regulators over future air emissions rules governing new coal generators, activists and state sources say.

Indiana environment officials and environmental activists are raising concerns that the state of Kentucky, in cooperation with federal regulators, is moving to allow construction of the 1500-megawatt Thoroughbred Generating Station while skirting Clean Air Act requirements to protect both health and visibility. While the permit for the facility is in draft form, both Indiana officials and environmentalists have filed comments calling the proposed emissions requirements and analyses of the facility too lax, and suggesting there has been insufficient analysis of cleaner generating alternatives. The fight underscores the tension between pressures for new coal-fired generation to meet energy needs and concerns that large new plants could run afoul of efforts by states to meet federal ozone and other air quality requirements, sources say.

Activists and state sources alike say the Thoroughbred Generating Station permit could set a precedent for environmental requirements governing similar plants in other states because it is further along in the permit process than other pending facilities.

At issue is a draft pre-construction and operating permit from the state of Kentucky for Peabody's proposed generating station near Mammoth Cave National Park. The draft permit includes a short-term sulfur dioxide (SO2) emissions limit of 0.45 lbs/million British Thermal Units (BTU) although the utility has agreed to a 0.41 lbs/million BTU.

Late last month, Bush administration officials at the Interior Department (DOI) withdrew an earlier National Park Service finding which found that the proposed facility would adversely impact visibility and potentially affect threatened and endangered species. Instead, Assistant Interior Secretary for Fish, Wildlife & Parks Craig Manson told Kentucky environment officials in an Aug. 22 letter that new emissions modeling data provided by the company suggests that there would be "no adverse impacts" on visibility at the park (see related story).

DOI made this decision despite finding potential adverse impacts on visibility at an emissions limit of 0.41 lbs/million British Thermal Units (BTU). However, DOI is essentially acquiescing to a plan that would allow the facility to emit SO2 at the 0.41 lbs/million BTU for at least two years, despite agency analyses showing that a limit of .23 lbs/million BTU would be preferable to safeguard visibility. Interior cites a "good faith" commitment by Peabody to agree to a lower limit based upon future operating data. Company officials say the plant will provide significant economic benefits, while still ensuring "no significant contributions" to visibility impairment. The company released a study earlier this year that claimed the project would inject \$3.35 billion into the state's economy during the life of the project, creating 45,000 job years and \$1.95 billion in new job-related benefits and wages.

But Indiana environmental officials fear the permit will still allow a significant retreat on air quality. "Any time you have a kind of facility that hasn't been permitted recently you're going to have folks interested in how it works out. The issue for us is air quality in Indiana," one state source says.

The state's Department of Environmental Management filed comments on a revised draft permit Aug. 23, which says, despite the revisions, state officials "continue to have questions" about the permit, including concerns over the failure of Peabody to evaluate the use of inherently lower sulfur coal as a means to lower emissions. Relevant documents are available on InsideEPA.com.

Meanwhile, officials at the Natural Resources Defense Council (NRDC), an environmental group that generally focuses its pollution control litigation on EPA rules, is suggesting that Kentucky's permit may become a future target for litigation. We have to "pick and choose" and focus on those permits that set a "dangerous precedent," one NRDC source says. Late last month, the group issued a press release blasting DOI's decision to withdraw the earlier significant impact finding. Together with a coalition of other groups, NRDC filed comments Aug. 24 raising a number of other objections to the permit that some sources say may be a precursor to litigation. These allegations included an alleged failure by the state to follow public review procedures, and claims that regulators have failed to demand a level of emissions controls achievable on similar facilities. One activist with NRDC says that it is too soon to know for sure whether there will be litigation on the permit, which still has not been issued in final form by the state of Kentucky. But the source says the group is watching several aspects of the case

But the source says the group is watching several aspects of the case closely, including the fact that the proposed facility relies on comparatively dirty coal technology-pulverized coal combustion * rather than cleaner alternatives such as coal gasification.

The source says this permit is important to activists as a "vanguard of a new wave of facilities burning Ohio River Valley coal" and as a test of what industry will be allowed to "get away with" in other similar facilities. The source says it is possible that what happens with Thoroughbred could affect "dozens of other proposals" currently in the pipeline. The sources notes that several 1500-megawatt plants are in the proposal stage in Illinois, and that according to Department of Energy data, 33 states outside New England may install new coal fired plants within the next six years.

Source: Clean Air Report via InsideEPA.com

Date:

September 12, 2002 Issue: Vol. 13, No. 19

(c) Inside Washington Publishers

September 10, 2002

Coal Trader, 9/10/02

Kentucky siting board okays Knott County project

nviroPower affiliate Kentucky Mountain Power has gained state approval to construct a 520-MW coal-fired power plant in Knott County.

The Kentucky State Board on Electric Generation and Transmission Siting said that KMP "was the first, and thus far only, applicant" seeking permission from the relatively new board to proceed with a power generation project. The siting board was created earlier this year by the Kentucky General Assembly to oversee the siting of power plants not regulated by the Kentucky Public Service Commission.

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The Kentucky siting board said that no other applications are under consideration, though four companies have filed notices of intent to submit applications: Peabody Energy's Thoroughbred project in Muhlenberg County, Estill County Energy Partners (Calla Energy), Westlake Energy Corp. in Calvert City/Marshall County, and Kentucky Pioneer Energy in Clark County.

September 9, 2002

State OKs EnviroPower Ly. Mountain Power Plant

The Kentucky Board on Electric Generation & Transmission Siting gave EnviroPower LLC a green light for its planned Kentucky Mountain Power generating station Thursday.

The board approved the 520-MW project less than a month after EnviroPower asked for an expedited decision on the plant, which would allow the company to begin construction by late fall or early winter (CD 8/9/02). The project is the first and only power plant project to have come under the board's consideration, although four other

projects have applied.

The siting board was created earlier this year by the Kentucky General Assembly to oversee the large number of independent merchant generation projects planned for the state in recent years (CD 4/18/02). The number of applications for new facilities became so overwhelming at one point that Gov. Paul Patton (D) placed a moratorium on new applications until a more comprehensive evaluation of the projects could be made.

The Kentucky Mountain facility will be located on a reclaimed coal mine in southwest Knott County and will burn a combination of coal waste and newly mined coal. Coal supplies will be trucked in to the plant, a copy of the board's

approval ruling showed.

A variety of constraints have been placed on the plant's erations in an attempt to reduce any impact on eighboring communities and residents, including a restriction on the routes coal trucks can take to the plant. Restrictions on noise, start-up periods and the plant's appearance are also designed to reduce the impact on the neighboring area. The board has also required an annual report from EnviroPower on the plant's progress.

While the siting board doesn't have any other applications under consideration, four companies have filed notices of intent to submit applications. The prospective projects include Peabody Energy's Thoroughbred station in Muhlenburg County, Calla Energy's waste-coal-fired Estill County Partners plant, Westlake Energy 520-MW natural gas facility in Marshall County and a Kentucky Pioneer Energy

facility in Clark County.

House, Senate Make Progress On Clean Coal

US House of Representatives and Senate energy bill conferees have drastically narrowed their differences on the shape of language encouraging so-called clean coal technologies. But a larger disagreement about funding of energy programs threatens to make the latest deal insignificant.

Legislators removed a major stumbling block on the energy bill's clean coal provisions late on Sept. 4 when House conferees agreed to fund clean coal technologies that sequester CO₂, a prominent greenhouse gas emitted in large amounts by coal-fired power plants.

The energy bill as written would fund coal gasification (CD 5/27/02), a process that converts coal to natural gas and drastically cuts sulfur dioxide and nitrogen oxide emissions. But Senate staff are crafting language reflecting an agreement on a preference for technologies that collect CO, in a stream for purposes of sequestration in the ground or other land areas such as forests and agricultural lands, sources close to the conference discussions said.

The compromise language also requires that 80 pct of federal clean coal technology funding be used for gasification and fuel cell projects. Gasification projects must be able to remove 99 pct of SO₂ and cap NO_x emissions at 0.05 lb./mmBtu.

> Other clean coal technologies funded other the compromise would have to cut SO₂ by 97 pct and cap NO_x at 0.08 lb./mmBtu.

Despite the progress on clean coal, a dispute between the Senate and the White House over the size of tax incentives for energy may still sink the whole bill, according to legislative observers. The Senate wants \$20 billion in incentives while the Bush administration wants \$9 billion.

Environmentalists opposed to any energy bill derived from the Houseand Senate-passed versions are using the tax incentive fight to their advantage. "We're telling members that scrapping funding for clean coal technologies will help them get closer to the president's figure," one environmentalist said.

September 3, 2002

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No. 170 Tuesday, September 3, 2002
ISSN 1521-9402

Page A-4

News

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Air Pollution Reversal by Interior on New Power Plant Near National Park Draws Fire From NRDC

CINCINNATI--The Interior Department has reversed an earlier finding that a proposed new coal-fired electric power plant in western Kentucky would "adversely impact visibility" and "potentially affect" endangered species at Mammoth Cave National Park, prompting criticism from an environmental group.

In a letter to the Kentucky Division for Air Quality, which is considering the air permit for the proposed Thoroughbred Generating Station in Muhlenberg County, an Interior official said the withdrawal of the adverse impact finding was based on new information submitted by Peabody Energy Corp., which plans to build the plant 50 miles west of the national park and then find an operator to run it.

The new data suggested there would be "no adverse impacts on visibility" at the park, Craig Manson, assistant secretary of interior for fish and wildlife and parks, said in the Aug. 22 letter to Kentucky officials. Interior had made the adverse impact finding in February, based on National Park Service modeling analyses.

Group Hits 'Sellout

Decisions.'

John Walke, director of the

Natural

Resources Defense Council's clean air program, said that in reversing the finding, Interior correctly identified inherent air pollution problems but reached the wrong conclusion.

Walke told BNA on Aug. 30

that "sellout

decisions" like the one reversing the adverse visibility determination for the Peabody plant are usually hidden in regulatory double-talk, but not in this case.

The proposed 1,500-megawatt

Thoroughbred

Generating Station would burn 6 million tons of high-sulfur coal and emit 22 million pounds of sulfur dioxide annually, according to NRDC. As a "merchant plant," the facility would sell electricity on the open market, the group said.

During the preconstruction

permit process,

Kentucky regulators agreed to a 24-hour sulfur dioxide limit of 0.41 lbs/MMBtu from the proposed plant, although National Park Service officials determined that the emission level would need to be reduced by nearly half, to 0.23 lbs/MMBtu, to prevent adverse effects on visibility at Mammoth Cave.

While conceding that the 0.41

lbs/MMBtu

limit would reduce visibility at Mammoth Cave, Manson said Interior has nonetheless reached a compromise with Peabody under which the plant will operate for two years at this level and then adopt lower emissions limits closer to the level suggested by the Park Service.

'Good-Faith Commitment' Seen
"This good-faith commitment

on the part of [Peabody] further confirms our comfort level with the issuance of their permit," Manson said.

Interior would prefer that

the Kentucky Division of Air Quality lower the 24-hour sulfur dioxide level, Manson said in his letter. However, data from Peabody consultants indicates that the company could not reduce sulfur dioxide pollution to the level sought by the Park Service, he said.

Walke said the Interior

Department has, in essence, given Peabody "the right to pollute first, then it will ask them to stop."

The purpose of the Clean Air

Act's preconstruction permit process is to determine the type of controls needed to keep pollution within acceptable limits, Walke said.

But in this case, Peabody

cannot achieve those emission levels cost-effectively, so it is using its influence with the Bush administration to circumvent the regulatory system, he said.

Walke called the reversal

"shocking and deplorable," since it flies in the face of the National Park Service's air quality experts and came only after Manson's staff met with Peabody representatives.

"It's a craven capitulation

to Peabody, one of President Bush's major campaign contributors, at the expense of public health and the environment," according to NRDC attorney David McIntosh.

This action denies the

National Park
Service's role as guardian of national parks, McIntosh said. Moreover, the compromise struck by Peabody, state officials, and Interior ignores the environmental harm that could be caused in those two years, he said.

Vic Svec, a spokesman for St.

Louis-based Peabody, said Interior's decision was sound.

"We remain committed to

environmental performance that everybody will be able to be proud of," Svec said. "We take our environmental responsibilities seriously."

Report on Haze
In a related development, the

Southern
Appalachian Mountains Initiative released a report Aug. 29 that says local sources, like coal-burning power plants, cause most of the mountain haze that reduces visibility.

Sulfur dioxide from power

plants in the region, not the industrial Midwest, makes up most of the haze that obscures the mountains, according to the report, which is based on a 10-year study.

The Southern Appalachian

Mountains
Initiative, a voluntary coalition of eight states, quantifies air pollution
levels and sources in Class I national parks and wilderness areas throughout
the southeast. <<...OLE_Obj...>>

By Bebe Raupe

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Gov. says fed energy proposals take power away from state regulators

By Feoshia Henderson The Kentucky Gazette

The Federal Energy Regulatory
Commission's proposed guidelines
on electricity sales intrude on the
state's regulatory authority, Gov. Paul
Patton said at a meeting of the Southern
Governor's Association.

FERC unveiled the plan, called the Standard Market Design, in late July to govern the sales of wholesale electricity. It's part of a federal plan to deregulate the industry by allowing wholesalers to ship power from state to state with less costs.

Gov. Patton, chairman of the National Governor's Association, addressed the southern convention last month in New Orleans. He said FERC is not giving states enough input into the regulation of wholesalers.

"In the Standard Market Design, the
es are not granted decision-making
athority; instead, when it comes to key
decisions that will impact electricity for an
entire region, FERC has regulated states to
an advisory role. This is inappropriate as
many of the initiatives in the standard
Market Design affect areas that are, or have
historically been, under state jurisdiction,"
the governor said, according to a transcript
of the speech obtained by the Gazette.

In particular, Patton cited the SMD's proposal to allow states only an advisory role in siting new transmission lines and in deciding how to meet long-term resource. needs, in addition to deciding who pays for transmission upgrades.

"This not only looks a lot like a federal power grab, it doesn't make a whole lot of sense. Once all these decisions have been made, it's the states that will have the final

say as to whether or not to actually site the

new infrastructure," Patton said in his speech.

FERC is also in the midst of regionalizing electricity sales and service. Kentucky will be served as part of the Midwest region along with 12 other states including Indiana, Ohio, Missouri, Iowa and Michigan. In the past, individual states have regulated electricity companies that generated, transmitted and sold their own power within the state.

Kentucky is one of several states, with vast coal and natural gas reserves, that have been beleaguered by electricity wholesalers who want to build plants. In the past three years, the state has received nearly 30 applications from wholesalers wanting to build or expand in the state. During the last General Assembly session, lawmakers passed a bill that would regulate where and

under what conditions these plants could build.

During the conference, Gov. Paul Patton, along with 9 other governors, passed a resolution criticizing FERC's plans to pass the cost of any upgrades to the electricity grid associated with these new plants to the entire state's ratepayers. The resolution favors a "user pays" system instead.

Andrew Melnykovych, spokesman for Public Service Commission, said the initial proposal appears to usurp some of the PSC's powers, but that the utility regulator's authority would not be weakened.

"The Public Service Commission will not abdicate powers given to it by the General Assembly. The PSC is not going

out of the business of regulation. Melnykovych said.

Melnykovych indicated that any federal regulation would be in addition to state regulation, but cautioned against any imminent federal-state battles.

This is still very early and the states have time to respond to the proposals. At this point, we don't know what the final outcome will be," he said.

In addition to cost factors, there have been concerns that Kentucky's electricity flow could be interrupted with this regional approach to service, with Kentucky's power being shipped to out-of-state buyers,

Melnykovych said the federal government has said that won't be the case.

"If you take FERC at their word, that won't be a problem," he said.

Gov. Patton has directed the PSC and his Energy Policy Advisory board to study the economic impact the proposal would have on Kentucky ratepayers. The PSC will be also be involved in drafting the state's response to FERC's proposed rules.

FERC said it will allow 75 days for public comment on the plan, but Gov. Patton has said that's not enough timeto study the 600-page proposal.

Kentucky has the lowest electricity rates in the country, at 4 cents a kilowatt hour, compared to the national average of 7 cents. •

October 26, 2002

TRIBUNE

NEW ALBANY, IN 9,000 SATURDAY OCT 26 2002

je worry power plant will pollute skies over Mammoth Cave By DYLAN T. LOVAN Associated Press Writer

LOUISVILLE, Ky. (AP) - Environmentalists who Cave ranked Mammoth among national parks with the dirtiest air fear a proposed coal-fired power plant nearby would further pollute its skies.

Mammoth Cave was third on the list of the nation's most polluted parks, compiled by the nonprofit National Parks Conservation Association.

But with a 1,500-megawatt power plant expected to start generating power in 2008 just 50 miles west of the park - environmentalists say the skies above Mammoth Cave

will only get hazier.

"There's already an existing problem," said Jill Stephens, spokeswoman for the parks association's southeast office. "Any additional pollutional increment will only worsen the situation."

The parks association and two other environmental groups, Appalachian Voices and Our Children's Earth, used park service data in the study, released Monday.

Stephens said the hazy pollution that hangs above the park now ruins visibility and air quality.

Officials with Peabody Energy, which is developing the plant in Muhlenberg County, say the facility would

use state-of-the-art technology that wouldn't contribute to air pollution problems in the region.

The Thoroughbred energy plant would be the merchant type, generating power and then selling it on the open market. The energy may or may not be used in Kentucky.

"The simplest way to say it is that our modeling results show that the Thoroughbred plant will have no visible impacts at Mammoth Cave or anywhere in the region," said Beth Sutton, a spokeswoman for Peabody Energy. She said the results were based on a three-year study of sulfur dioxide emissions, the main contributor to haze.

"It will be one of the cleanest major coal plants east of the Mississippi," Sutton said. A study by the National

Park Service, also released on Monday, says visibility at Mammoth Cave is among the worst in the country. That study also found that air quality has improved or not worsened in more than half of 32 monitored parks since 1990.

Bob Carson, an air quality specialist at Mammoth Cave, said coal-burning plants contribute to the problem.

"A lot of the sulfates originate from coal being burned in power plants and other facilities," Carson said. "That's a problem just about everywhere east of the Mississippi River."

The plant is still in its early stages, and Peabody must acquire an air quality permit from the state, Sutton said. She said the plant would create about 450 jobs.

The parks association, a nonprofit organization dedicated to protecting national parks, said in its survey that visibility at Mammoth Cave is reduced to about 14 miles from June to August. Estimated average natural visibility there is about 113 miles, the survey said.

The survey said the Great Smoky Mountains is the nation's most polluted national park, and Shenandoah

National Park in Virginia was rated second.

October 21, 2002

Whiting: Thoroughbred project possibly delayed 3 years

eabody Energy's 1,500-MW minemouth Thoroughbred Energy generating project could possibly face a three-year delay from the originally anticipated startup date, according to the company's president and chief operating officer.

Speaking Oct. 15 at the American Coal Council's Coal Market Strategies Conference in Tucson, Rick Whiting said that the "market and financial aspects" surrounding the project are forcing the delay, and Peabody doesn't plan to go forward with the project by itself. Peabody has all along said that it intends to seek partners in the development of the Muhlenberg County, Ky., project.

"In the simplest terms, it's on a delayed basis, but it is a very economically viable project," Whiting told the audience of mostly western coal industry executives.

Peabody has said on its website (www.peabodyenergy.com) that it expected Thoroughbred to generate electricity in the 2005-07 time frame. In the company's recent announcement that Thoroughbred gained its **Kentucky Division for Air Quality** permit (PCT 10/14), the company flatly stated that "Thoroughbred could begin generating power in the 2007 timeframe."

And despite the anticipated delay, Whiting said that Thoroughbred passed a major regulatory test when it gained the state air permit, though environmental detractors wait in the wings to further challenge the project. Peabody has maintained that Thoroughbred is expected to be among the cleanest major coal-fired plants east of the Mississippi River.

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ing forum of energy industry CEOs that centered on the prospects for coal-fired power amidst regulatory and market-driven shakeups. The CEOs — Whiting; Mike Hawkins, president of Millennium Energy; and Allen Alexander, president and CEO of coal transporter Savage Industries — agreed that market cycles, likely shortages of natural gas production and electricity transmission and the need for energy security will combine to push coal-fired generation to the forefront. What is needed, they said, is a national energy policy and regulatory cer-

tainty so that coal plant builders, operators and investors can be assured of returns on their investment.

Hawkins said he believed there will be a generation boom cycle in the next three to four years due to increasing demand, despite the number of projects that have been tabled because of the current unfavorable business climate. "I believe in the history" of business cycles, he declared.

"Coal-fired power plants are going to have to be built," Alexander said. "We believe there will continue to be opportunities for companies quick on their feet."

Owensboro Municipal

Owensboro (Ky.) Municipal Utilities has awarded contracts to four companies calling for delivery of a total of 3.5 million tons of coal to the Smith station over terms of one to five years.

The largest award goes to **Peabody** Coalsales, which will supply 50,000 tons/month from its Patriot operations, Henderson County, Ky., for five years. The price is 92¢/mmBtu (all prices delivered, all deliveries by truck).

Alley-Cassetty Coal will deliver 25,000 tons/month from its mines in McLean County, Ky., for one year at a price of 93¢/mmBtu.

Rust Mining will supply 10,000 tons/month from the former Lanham Mining property in Daviess County, Ky., for one year at a price of 95¢/mmBtu.

L.R. Chapman will ship 2,000 tons/month for three years from properties in Hancock County, Ky., for 84¢/mmBtu.

Owensboro solicited for 40,000 tons/month to replace a contract with Peabody that expires at the end of 2002 (CO 7/15). The utility purchased more than solicited, and an official said he will scale back tonnage on some existing contracts.

October 25, 2002

MESSENGER-INQUIRER

OWENSBORO, KY FRIDAY 31,862 OCT 25 2002

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2002 GENERAL ELECTION: MUHLENBERG FISCAL COURT, DISTRICT 2

Candidates seek cure for economic ailments

By David Blackburn

Both men vying for the District 2 magistrate seat say Muhlenberg County needs more jobs — especially the kind a coal-fired power plant could provide.

Incumbent Terry Benton sees the proposed Thoroughbred Energy plant, and the resulting jobs at the underground mine next door, as "a big impact on our economy if we can get it going."

Challenger Harold Wester also said the plant would boost the economy by improving the people's view of the county's industrial future.

"I think people realize industry is down in this county; people are leaving for work," Wester said. "It's going to be worse for kids and grandkids if things are not turned around."

"I think the majority of people in the county would be united in bringing any kind of business into the county," Benton said.

Neither are worried that the plant will harm the environment.

"If the state and federal (governments) approved it, I think it would be acceptable for the county to wel-come it in," Wester said. "I think they (Peabody) should

meet the environmental laws," Benton said, adding that he feels it will be a safe plant. "I feel like the laws are there to protect us."

Benton also thinks the plant, the jobs it creates and other new industries will help the county with its budget, which has been tight in recent months.

near future from new businesses

coming to regional industrial parks in Ohio County and Graham, Benton said.

The Muhlenberg County Detention Center is finally generating enough revenue to help pay for itself, Benton said.

"All departments should be com-Help also should arrive in the mended for working with the budget," he said.

Wester said he wants to wait until he gets on the court to look at the county's expenses and revenues.

He declined to discuss specific ideas about the budget other than to say, "You don't spend money that you don't have."

David Blackburn, 338-6580, dblackburn@messenger-inquirer.com

October 24, 2002

MESSENGER-INQUIRER

OWENSBORO, KY
THURSDAY 31,862
OCT 24 2002

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2002 GENERAL ELECTION: MUHLENBERG COUNTY JUDGE-EXECUTIVE

Both candidates support proposed power plant

By David Blackburn

GREENVILLE — Muhlenberg County needs a proposed coal-fired power plant to locate here, say both candidates for the judge-executive.

Incumbent Republican Rodney Kirtley and Democratic challenger John Hobgood say working to get Peabody's Thoroughbred Energy Plant will also help unite the county.

Kirtley thinks the county is beginning to understand the necessity of working together, but Hobgood thinks county residents want to see more immediate results.

Power plant

"I think we need to do what we have to to attract the power plant," Hobgood said.

The county should trust state officials who approved Peabody's air quality permit for the plant, which is being billed as one of the nation's cleanest, he said.

But the county does not need to be in the business side of the project, especially labor issues, Hobgood said.

He referred to concerns from local union supporters and residents who want mostly local workers used to build the plant. An openshop Texas agency is rumored to be lined up to build it.

Hobgood said he wished Peabody had said, "We're going to do what's best for Muhlenberg County" to ease some fears.

But, Hobgood noted, "When you sit down ... to eat, you can't until the food's brought to the table. Let's put the plant on the table, then we'll worry about reaping the benefits."

Hobgood and Kirtley say the local and area work force can build the plant.

"I feel our people are qualified; they've been around this (coal mining) all their lives," Kirtley said. He also said he thinks the feder-

He also said he thinks the tederal government will hold Peabody to the emission limits.

"What we like about it is the new technology burning out coal cleanly," Kirtley said. "We feel there's a need for it here."

County budget funding

Kirtley said the recent change in the Sanitation Department and the way county trash is hauled off will help.

Before this month, the county paid Waste Management in Logan County to pick up Muhlenberg's trash and haul it to a landfill.

Now, the county itself hauls loads that are compacted, which will require fewer trips.

Also, the county negotiated to keep the \$15-per-ton tipping fee the same instead of being increased,

Kirtley said.
"We're running the county like a business," he said. "We're making sure the money spent is spent wise-

Kirtley also noted that the county jail is now housing enough state inmates to help pay for itself.

He said a lack of such inmates during the first year the jail was open forced the county to help pay for the jail's operating expenses out of the general fund.

That eventually led to the county having to borrow money from a line of credit, he said.

Hobgood fayors hiring a full-time person who does nothing but seek free federal and state grants for law enforcement, community projects or tourism.

He also wants a full-time recruiter to lure businesses to Muhlenberg County.

The judge-executive and magistrates could work with the recruiter

in Frankfort to more effectively bring jobs here, Hobgood added.

Hobgood suggested putting the parking fees and concession proceeds from the Agriculture and Exposition Center in Powderly in a separate fund.

The money could then be used for the upkeep of the center, which he wants to use more for trades shows and other events, he said.

Since a new judicial center is being planned, some space in the Muhlenberg County Courthouse could be used as a museum of the county, its coal heritage and local arts to draw tourists.

How to create unity in the county

"I don't see any proof of a focus right now," Hobgood said of the county's short-term issues.

The county needs to address such issues as clearing roads and ditches for better drainage and picking up trash, he said.

"All the movement we see is ... a few prisoners cleaning up our towns ... and around our courthouse," Hobgood said. "We need to see something constructive, I think, in our county."

Some efforts are helping to unify the county, Kirtley said, citing the effort to bring in the Thoroughbred plant and cities' plans to form a regional water system.

"I think everybody's realizing now they have got to work together," Kirtley said. "The money's just not there for them to do it individually any more."

David Blackburn, 338-6580, dblackburn@messenger-inquirer.com

October 16, 2002

Energy Daily, 10/16/02

Big Kentucky Coal Plant Project Wins Air Permit

In a key regulatory advance for one of the nation's largest coal-fired power plant projects, Kentucky officials last week granted an emissions permit for Peabody Energy's Thoroughbred Energy Campus.

Environmentalists had been fighting to block the permit for the proposed 1,500 megawatt power plant in Muhlenberg County, saying the facility would contribute significantly to air pollution in western Kentucky and downwind areas.

Peabody contended the plant would have advanced environmental controls and would be "among the cleanest" major coal-fueled plants east of the Mississippi River, with emissions far lower than current Clean Air Act standards. It also said sulfur dioxide and nitrogen oxide emissions will be 86 and 84 percent below the current Kentucky coal plant average, respectively.

The permit could help Peabody, the nation's largest coal producer, enlist codevelopers for the project, including a power plant operator to run the two 750 MW units it wants to build at the site.

While U.S. power markets are currently glutted, Peabody contends the nation likely will experience electricity shortages when the economy picks up.

Peabody project could face 3-year-delay

eabody Energy's 1,500-MW minemouth Thoroughbred Energy generating project could possibly face a three-year delay from the originally anticipated startup date, according to the company's president and chief operating officer.

Speaking Tuesday at the American Coal Council's Coal Market Strategies Conference in Tucson, Ariz., Rick Whiting said that the "market and financial aspects" surrounding the project are forcing the delay, and Peabody doesn't plan to go forward with the project by itself. Peabody has all along said that it intends to seek partners in the development of the Muhlenberg County, Ky., project.

"In the simplest terms, it's on a delayed basis, but it is a very economically viable project," Whiting told the audience of mostly western coal industry executives.

Peabody has said on its website (www.peabodyenergy.com) that it expected Thoroughbred to generate electricity in the 2005- 2007 time frame. In the company's recent announcement that Thoroughbred gained its Kentucky Division for Air Quality permit (PCT 10/14), the company flatly stated that "Thoroughbred could begin generating power in the 2007 timeframe." And despite the anticipated delay, Whiting said that Thoroughbred passed a major regulatory test when it gained the state air permit, though environmental detractors wait in the wings to further challenge the project. Peabody has maintained that Thoroughbred is expected to be among the cleanest major coal-fired plants east of the Mississippi River.

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"Coal-fired power plants are going to have to be built," Alexander said. "We believe there will continue to be opportunities for companies quick on their feet."

October 16, 2002

Thoroughbred gets air permit

By RITA DUKES Leader-News Editor

The state issued the long-awaited air permit for the proposed Thoroughbred Energy Campus Friday. After nearly two years and two public hearings, Peabody Energy obtained the permit despite protests from several environmental groups and the Owensboro Building and Trade Council.

The public hearing phase of the permitting process, administered by the state Division of Air Quality, ended Aug. 24. Peabody
officials
were required to
answer
those objections
including
a pretest
by the
U.S. Park
Service
concern-

Kenny Allen

ing the proposed plant's proximity to Mammoth Cave Na-

Continued on A-4

Thoroughbred gets permit

Continued from A-1

tional Park. The Park Service withdrew its objections after Peabody tweaked its emission projections.

The air permit was the major hurdle in Peabody's quest to construct a 1,500-megawatt generating station and mine in Central City.

"We're very pleased," said

Kenny Allen, vice president of resource development and conservancy for Peabody. "This is a huge step toward our goal. We plan on continuing until we make it happen."

The campus will include two 750-megawatt generating units fueled by up to 6 million tons of coal per year from the

adjacent mine.

When the Thoroughbred Energy Campus was first proposed, it was projected to be online by 2005, but a two-year wait for the air permit has stymied efforts. Peabody officials now don't expect the units to be producing electricity until 2007.

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October 15, 2002

Enviros Vow To Continue Fighting Thoroughbred Plant

Environmental groups are vowing to continue efforts to block construction of **Peabody Energy**'s proposed Thoroughbred Generating Station in Muhlenberg County, Ky.

Opponents of the power plant contend the state of Kentucky's decision to grant Peabody an airquality permit was based on politics, the critics intend to go to court to halt construction of the 1,500-MW generating facility, and an adjacent underground mine.

The air permit, issued late Friday by the Kentucky Natural Resources Cabinet, sets limits on the amount of pollutants the plant can release (CD 10/14/02).

The permit limits the plant to emissions of 0.08 lb. NO_x/mmBtu and 0.41 lb. SO₂/mmBtu over a 24-hour average or 0.167 lbs. over a 30-day average, according to John Lyons, director of the Natural Resources Cabinet's Division of Air Quality.

But environmental groups say those limits are too high in a region where the air is already considered polluted. They cite a report recently released by EPA that ranked Muhlenberg County 10th out of 736 counties in the Southeast U.S. for health risks associated with air pollution. Nearby Mammoth Cave National Park was ranked the third most-polluted national park in the US.

EPA now has 45 days to review and sign off on the state permit.

In addition, Peabody must still obtain a construction permit from the state's siting review board, established this summer by the Kentucky General Assembly to review placement of merchant power plants in the state.

Plant opponents want to stop both those things from happening. The national Natural Resources Defense Council announced last Friday that a coalition of environmental groups would oppose the Peabody project at each step of the permitting process. John Blair, president of the Evansville, Ind.-based Valley Watch, said state regulators caved into political pressure from state and local politicians who hope Peabody can help revive western entucky's sagging coal industry.

Meanwhile, the only merchant plant approved by the state siting board is facing a legal effort by

Coal Daily, 10/15/02

environmentalists to stop its construction.

On Oct. 4, the Kentucky Resources Council (KRC) filed a lawsuit in Knott Circuit Court seeking to overturn the siting board's approval of the proposed Kentucky Mountain Power plant (CD 9/9/02). The KRC suit claims the siting board failed to adequately consider the impact on nearby residents of the heavy traffic and the additional transmission lines that would result from the plant's construction.

Anti-Coal Ind. Utility Commissioner Resigns

A member of the Indiana Utility Regulatory Commission perceived to be anti-coal has resigned from the five-member commission, citing job stress and a desire to pursue other career options.

A Bloomington, Ind., attorney, Camie Swanson-Hull informed Gov. Frank O'Bannon last week that she will leave the position on Nov. 1. Swanson-Hull has served as a commissioner for six years, having been appointed by former Gov. Evan Bayh, a Democrat now serving in the US Senate.

"It's a stressful job; it's hard to do it right," Swanson-Hull said.

Her tenure was marked by significant differences of opinion with IURC policy. Those differences emerged last year, when she opposed the commission's sanctioning of merchant power plants in the state, citing environmental concerns about coalfired plants.

"I understand Indiana is dependent on coal, but it's important to explore alternative sources of energy," Swanson-Hull said at the time. "We really need to look hard at energy efficiency and have a diverse portfolio [for energy generation] rather than rely solely on fossil fuels."

O'Bannon's staff has launched a search for her successor. Under Indiana law, a seven-member nominating committee will seek applications, conduct public interviews and recommend a nominee for the governor's consideration. O'Bannon, a Democrat, will make the final selection. But to maintain political balance required by state law, the new appointee needs to be a Republican or a political independent.



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Kentucky Environmental Agency Approves Electric **Generating Plant Project**

Source: Knight Ridder/Tribune Business News Publication date: 2002-10-15

Oct. 15--Despite objections by environmental groups, the Kentucky Division for Air Quality has issued a permit to **Peabody Energy Corp. of St. Louis to build a \$2 billion, 1,500-megawatt coal-fired electric generating plant in the western part of that state.

Peabody has said the two 750-megawatt units of the Thoroughbred Generating Station in Muhlenberg County will use "clean-coal technology" to hold down such harmful emissions as nitrogen oxide and sulfur dioxide.

Peabody will build the plant above a mine to eliminate coal-transportation costs. Most power plants in this area burn low-sulfur Western coal, while vast reserves of high-sulfur coal underlie Kentucky, Southern Illinois and southern Indiana.

Peabody says its harmful emissions of noxious gases will be lower than levels permitted under present and projected federal standards.

But environmentalists argue that a plant burning 6 million tons of high-sulfur coal each year will spew too much of the gases, plus unregulated heavy metals such as mercury, and greenhouse gases such as carbon dioxide, into the air.

At least one environmental group alleged that the plant will harm human health and air quality in Kentucky and downwind in Indiana.

"One thousand Kentucky residents die every year from power-plant pollution -that's more per capita than any other state," David McIntosh of the Natural Resources Defense Council said in a statement. "Letting Peabody build another massive coal-fired plant in Kentucky is like spraying gasoline on a burning house."

McIntosh said his group would fight Peabody's effort to build the plant, which Peabody said would sell electricity throughout the Midwest when completed in about 2007.

The plant would burn Peabody's coal from its holdings near Central City, Ky., which is 50 miles upwind from Mammoth Cave National Park.

Peabody estimates the power plant, a new venture for the world's largest coal company, will create 2,500 jobs while under construction for three to four years. When operating, it will employ 450 people and is expected to add \$100 million a year to Kentucky's economy.

Peabody plans a carbon copy of Thoroughbred near Lively Grove, Ill., about 50 miles southeast of St. Louis. The permit application is pending before the Illinois Environmental Protection Agency, said Vic Svec, Peabody's spokesman.

Peabody has other hurdles to clear before construction begins. McIntosh said his group will appeal the permit before the Kentucky Natural Resources and Environmental Protection Cabinet. He said the appeal could delay construction for

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"We do appreciate the contributions of environmentalists," said Svec, adding that their objections during the permitting process caused Peabody to cut its projected nitrogen-oxide emissions to 0.08 pound per million Btu, from 0.09 pound per million Btu.

"We have the process to thank," Svec said. "(Environmentalists) have the luxury of not having to provide energy."

To see more of the St. Louis Post-Dispatch, or to subscribe to the newspaper, go to http://www.stltoday.com.

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Megawatt Daily, 10/15/02

Peabody's 1,500-MW Ky. coal plant clears hurdle

Peabody Energy has cleared a crucial regulatory hurdle with a decision by the Kentucky Division for Air Quality to grant a final air permit for the company's proposed 1,500-MW Thoroughbred Energy Campus coal-fired power plant near Central City in Muhlenberg County.

The permit issued Friday limits the baseload coal plant to emissions of 0.08 pounds per million Btu of nitrogen oxide and 0.41 pounds per million Btu of sulfur dioxide over a 24-hour average.

Opponents of the nearly \$2-billion project have claimed air emissions from the plant might cause visibility problems for Mammoth Cave National Park, located about 50 miles east of the proposed plant site. Now those foes, including the Natural Resources Defense Council, are expected to challenge the permit in court.

St. Louis-based Peabody, the world's largest privately owned coal company, contends Thoroughbred Energy will be among the cleanest coal-fired generating plants east of the Mississippi River.

The plant would include two 750-MW generating units fueled by up to 6 million tons of coal annually produced from an adjacent coal mine.

A Peabody spokesman said the company now expects Thoroughbred Energy to begin generating power in 2007, a year later than the original target date.

Coal & Energy Price Report, 10/15/02

Kentucky permits Peabody Thoroughbred to romp in Muhlenberg County

An air permit for Peabody Coal's Thoroughbred Energy Campus has been issued by the state of Kentucky.

The proposed plant, a 1,500-MW coal-fired generating station to be located in Muhlenberg County, is expected to begin operation in 2007. Peabody officials have said the plant's emissions will be "far lower than current Clean Air Act standards, with sulfur dioxide and nitrogen oxide emissions that will be 86 and 84 percent below the current Kentucky coal plant average."

Thoroughbred will include two 750-MW units that will be fueled by up to 6 million tons of coal per year produced by an adjacent Peabody mine.

Circulation: 338,793

Appears On Page rue October 15,

"S NEWSEXPRESS

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Page 1 of 2 (PDSLOW1R)

eabody gets OK for Kentucky pla

\$2 billion, coal-fired facility will be built in western part of state

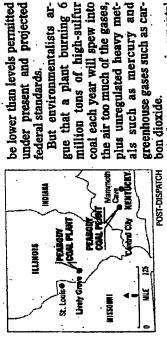
BY REPPS HUDSON Of the Post-Dispatch

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Peabody's stock closed Monday at \$25.85, up 25 cents.

Reporter Repps Hudson: E-mall: rhudsen@post-disputch Phone: 314-340-8208

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The plant would burn Peabo-

See Peabody, C2

Peabody estimates that the power plant, a new venture for

Cave National Park.

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EDITORIAL

nvironmental concerns should not be torgotten

the news that the Thoroughbred pred power plant has been issued an air quality permit is a streament to the resilience and thorapughness of Muhlenberg County officials and Peabody Energy.

Despite the opposition of some groups who continue to insist the project will be environmentally unsound, the permit process played out as it should have.

Peabody officials held several public hearings, detailing how the plant would be built and what environmental safeguards would be put in place.

Muhlenberg County officials contin-

ued to push the process along, while

being sensitive to the concerns that arose pertaining to Mammoth Cave

National Park. The result was a reconfiguration of emission projections that should ensure visibility is not reduced at the park, which is about an hour east of Muhlenberg County.

The air quality permit, however, is

just the first step in what still figures to be a long process. Rep. Brent Yonts, a Greenville Democrat, cautions that waste, water and other permits still have to be secured and that the process may take another year. That's not likely what county resident.

That's not likely what county residents want to hear. The power plant — which could bring as many as 2,000 temporary and 500 permanent jobs — is considered critical to the county's economic future.

But it will be important that the

same care that went into securing the air quality permit continues throughout the permit and construction process. It won't do Muthenberg County a bit of good — in fact it could prove devastating — if the power plant is built in such a way that environmental issues become a concern free or 10 years down the road.

That's why it was discouraging to hear reactions of county officials to a pollution health-risk study released earlier this month. That report, produced by the Environmental Protection Agency, gave the county a poor ranking for air quality.

The ranking was attributed primarily to the Paradise Fossil Fuel Plant in Drakesboro. Tennessee Valley

Authority officials, who own the plant, were quick to point out the data was from the mid-1990s and that significant improvements have been made since then.

Judge-Executive Rodney Kirtley noted that plant sits on the county's eastern end, and the eastern winds would actually blow emissions out of the county. Central City Mayor Hugh Sweatt said that the report should have no effect on Thoroughbred.

and the county is considered in nonat-

air quality standards are tightened

tainment, millions of dollars in federal

aren't reduced. That means all power

plants will come under scrutiny.

funding could be lost if ozone levels

Obviously, local officials don't want anything to stand in the way of this project. But looking at the air quality report objectively, these reasonings don't carry much water. Every area blames their pollution on another county, so whether emissions are

affecting Muhlenberg County, or McLean, Ohio or Daviess counties, it's still a problem for this region.
And, fair or not, Thoroughbred will be judged by the county's entire emissions, not just what it is producing. If

The desire to get the Thoroughbred project started as soon as possible is understandable. But all avenues must be exhausted to ensure that environmental issues don't eventually derail what should be a boom to the Muhienberg County economy.

October 15, 2002

Enviros Vow To Continue Fighting Thoroughbred Plant

Environmental groups are vowing to continue efforts to block construction of **Peabody Energy**'s proposed Thoroughbred Generating Station in Muhlenberg County, Ky.

Opponents of the power plant contend the state of Kentucky's decision to grant Peabody an airquality permit was based on politics, the critics intend to go to court to halt construction of the 1,500-MW generating facility, and an adjacent underground mine.

The air permit, issued late Friday by the Kentucky Natural Resources Cabinet, sets limits on the amount of pollutants the plant can release (CD

10/14/02).

The permit limits the plant to emissions of 0.08 lb. NO_x/mmBtu and 0.41 lb. SO₂/mmBtu over a 24-hour average or 0.167 lbs. over a 30-day average, according to John Lyons, director of the Natural Resources Cabinet's **Division of Air Quality**.

But environmental groups say those limits are too high in a region where the air is already considered polluted. They cite a report recently released by EPA that ranked Muhlenberg County 10th out of 736 counties in the Southeast U.S. for health risks associated with air pollution. Nearby Mammoth Cave National Park was ranked the third most-polluted national park in the US.

EPA now has 45 days to review and sign off on the state permit.

In addition, Peabody must still obtain a construction permit from the state's siting review board, established this summer by the Kentucky General Assembly to review placement of merchant power plants in the state.

Plant opponents want to stop both those things from happening. The national Natural Resources Defense Council announced last Friday that a coalition of environmental groups would oppose the Peabody project at each step of the permitting process. John Blair, president of the Evansville, Ind.-based Valley Watch, said state regulators caved into political pressure from state and local politicians who hope Peabody can help revive western entucky's sagging coal industry.

Meanwhile, the only merchant plant approved by the state siting board is facing a legal effort by

Coal Daily, 10/15/02

environmentalists to stop its construction.

On Oct. 4, the Kentucky Resources Council (KRC) filed a lawsuit in Knott Circuit Court seeking to overturn the siting board's approval of the proposed Kentucky Mountain Power plant (CD 9/9/02). The KRC suit claims the siting board failed to adequately consider the impact on nearby residents of the heavy traffic and the additional transmission lines that would result from the plant's construction.

Anti-Coal Ind. Utility Commissioner Resigns

A member of the Indiana Utility Regulatory Commission perceived to be anti-coal has resigned from the five-member commission, citing job stress and a desire to pursue other career options.

A Bloomington, Ind., attorney, Camie Swanson-Hull informed Gov. Frank O'Bannon last week that she will leave the position on Nov. 1. Swanson-Hull has served as a commissioner for six years, having been appointed by former Gov. Evan Bayh, a Democrat now serving in the US Senate.

"It's a stressful job; it's hard to do it right," Swanson-Hull said.

Her tenure was marked by significant differences of opinion with IURC policy. Those differences emerged last year, when she opposed the commission's sanctioning of merchant power plants in the state, citing environmental concerns about coalfired plants.

"I understand Indiana is dependent on coal, but it's important to explore alternative sources of energy," Swanson-Hull said at the time. "We really need to look hard at energy efficiency and have a diverse portfolio [for energy generation] rather than rely solely on fossil fuels."

O'Bannon's staff has launched a search for her successor. Under Indiana law, a seven-member nominating committee will seek applications, conduct public interviews and recommend a nominee for the governor's consideration. O'Bannon, a Democrat, will make the final selection. But to maintain political balance required by state law, the new appointee needs to be a Republican or a political independent.



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Kentucky Environmental Agency Approves Electric **Generating Plant Project**

Source: Knight Ridder/Tribune Business News Publication date: 2002-10-15

Oct. 15--Despite objections by environmental groups, the Kentucky Division for Air Quality has issued a permit to ... Peabody Energy Corp. of St. Louis to build a \$2 billion, 1,500-megawatt coal-fired electric generating plant in the western part of that state.

Peabody has said the two 750-megawatt units of the Thoroughbred Generating Station in Muhlenberg County will use "clean-coal technology" to hold down such harmful emissions as nitrogen oxide and sulfur dioxide.

Peabody will build the plant above a mine to eliminate coal-transportation costs. Most power plants in this area burn low-sulfur Western coal, while vast reserves of high-sulfur coal underlie Kentucky, Southern Illinois and southern Indiana.

Peabody says its harmful emissions of noxious gases will be lower than levels permitted under present and projected federal standards.

But environmentalists argue that a plant burning 6 million tons of high-sulfur coal each year will spew too much of the gases, plus unregulated heavy metals such as mercury, and greenhouse gases such as carbon dioxide, into the air.

At least one environmental group alleged that the plant will harm human health and air quality in Kentucky and downwind in Indiana.

"One thousand Kentucky residents die every year from power-plant pollution -that's more per capita than any other state," David McIntosh of the Natural Resources Defense Council said in a statement. "Letting Peabody build another massive coal-fired plant in Kentucky is like spraying gasoline on a burning house."

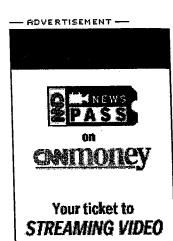
McIntosh said his group would fight Peabody's effort to build the plant, which Peabody said would sell electricity throughout the Midwest when completed in about 2007.

The plant would burn Peabody's coal from its holdings near Central City, Ky., which is 50 miles upwind from Mammoth Cave National Park.

Peabody estimates the power plant, a new venture for the world's largest coal company, will create 2,500 jobs while under construction for three to four years. When operating, it will employ 450 people and is expected to add \$100 million a year to Kentucky's economy.

Peabody plans a carbon copy of Thoroughbred near Lively Grove, Ill., about 50 miles southeast of St. Louis. The permit application is pending before the Illinois Environmental Protection Agency, said Vic Svec, Peabody's spokesman.

Peabody has other hurdles to clear before construction begins. McIntosh said his group will appeal the permit before the Kentucky Natural Resources and Environmental Protection Cabinet. He said the appeal could delay construction for





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"We do appreciate the contributions of environmentalists," said Svec, adding that their objections during the permitting process caused Peabody to cut its projected nitrogen-oxide emissions to 0.08 pound per million Btu, from 0.09 pound per million Btu.

"We have the process to thank," Svec said. "(Environmentalists) have the luxury of not having to provide energy."

To see more of the St. Louis Post-Dispatch, or to subscribe to the newspaper, go to http://www.stltoday.com.

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Megawatt Daily, 10/15/02

Peabody's 1,500-MW Ky. coal plant clears hurdle

Peabody Energy has cleared a crucial regulatory hurdle with a decision by the Kentucky Division for Air Quality to grant a final air permit for the company's proposed 1,500-MW Thoroughbred Energy Campus coal-fired power plant near Central City in Muhlenberg County.

The permit issued Friday limits the baseload coal plant to emissions of 0.08 pounds per million Btu of nitrogen oxide and 0.41 pounds per million Btu of sulfur dioxide over a 24-hour average.

Opponents of the nearly \$2-billion project have claimed air emissions from the plant might cause visibility problems for Mammoth Cave National Park, located about 50 miles east of the proposed plant site. Now those foes, including the Natural Resources Defense Council, are expected to challenge the permit in court.

St. Louis-based Peabody, the world's largest privately owned coal company, contends Thoroughbred Energy will be among the cleanest coal-fired generating plants east of the Mississippi River.

The plant would include two 750-MW generating units fueled by up to 6 million tons of coal annually produced from an adjacent coal mine.

A Peabody spokesman said the company now expects Thoroughbred Energy to begin generating power in 2007, a year later than the original target date.

Coal & Energy Price Report, 10/15/02

Kentucky permits Peabody Thoroughbred to romp in Muhlenberg County

An air permit for Peabody Coal's Thoroughbred Energy Campus has been issued by the state of Kentucky.

The proposed plant, a 1,500-MW coal-fired generating station to be located in Muhlenberg County, is expected to begin operation in 2007. Peabody officials have said the plant's emissions will be "far lower than current Clean Air Act standards, with sulfur dioxide and nitrogen oxide emissions that will be 86 and 84 percent below the current Kentucky coal plant average."

Thoroughbred will include two 750-MW units that will be fueled by up to 6 million tons of coal per year produced by an adjacent Peabody mine.

\$2 billion, coal-fired facility will be built in western part of state

By REPPS HUDSON Of the Post-Dispatch

nitrogen oxide and sulfur

dioxide

Energy Corp. of St. Louis to build a \$2 billion, 1,500ronmental groups, the Kencucky Division for Air Quality has issued a permit to Peabody Despite objections by envi-

megawatt coal-fired electricgenerating plant in the west-Peabody has said the two 750-megawatt units of the **Phoroughbred** Generating ful emissions such as ty will use "clean-coal tech-Station in Muhlenberg Counnology" to hold down harmern part of that state.

above a mine to eliminate Most power plants in this area Peabody will build the plant coal-transportation costs. burn low-sulfur Western coal, and vast reserves of high-sul-

INTERNAL CITY NEWTOCKY POST-DISPATCH MDIAKA COAL PLANT ILLINO18

coal each year will spew into million tons of high-sulfur

plus unregulated heavy metals such as mercury and

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At least one environmental

bon dioxide.

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Southern Illinois and southern fur coal underlie Kentucky, Indiana.

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Peabody's stock closed Monday at \$25.85, up 25 cents.

Reporter Repos Hudson: E-mail: rindson@post-dispatch.com Phone: 314-340-8208

Central City, Ky., which is 50 miles upwind from Mammoth

The plant would burn Peabody's coal from its holdings near

See Peabody, C2

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EDITORIAL

Environmental concerns should not be torgotten

issued an air quality permit is a oughness of Muhlenberg County offitestament to the resilience and thorthe news that the Thoroughbred power plant has been cials and Peabody Energy.

unsound, the permit process played Despite the opposition of some groups who continue to insist the project will be environmentally out as it should have.

Peabody officials held several pubwould be built and what environmenlic hearings, detailing how the plant

Muhlenberg County officials contintal safeguards would be put in place. ued to push the process along, while arose pertaining to Mammoth Cave being sensitive to the concerns that

National Park. The result was a reconfiguration of emission projections that should ensure visibility is not reduced The air quality permit, however, is at the park, which is about an hour east of Muhlenberg County.

mits still have to be secured and that tions that waste, water and other perjust the first step in what still figures 2,000 temporary and 500 permanent That's not likely what county resilents want to hear. The power plant Youts, a Greenville Democrat, cauobs — is considered critical to the the process may take another year. - which could bring as many as to be a long process. Rep. Brent

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The ranking was attributed primarily to the Paradise Fossil Fuel Plant in Drakesboro. Tennessee Valley

Authority officials, who own the plant. were quick to point out the data was cant improvements have been made from the mid-1990s and that signifisince then.

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October 14, 2002

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Bacon's MediaPulse National Listing Report

1. BLOOMBERG NATIONAL OCT 14 2002 7:00AM Moneycast

Run Time: 4:43

[**07:47:07 AM**] MEANWHILE, THE CREDIT RATINGS OF PG&E'S GENERATING AND TRADING UNIT HAS SUNK FURTHER BELOW INVESTMENT GRADE. S&P CUT ITS FIVE LEVELS, SAYING THE SUBSIDIARY MAY NOT MAKE A \$431 MILLION PAYMENT DUE NEXT MONDAY. AND THE LARGEST U.S. COAL PRODUCER, PEABODY ENERGY, HAS THE OK FROM KENTUCKY REGULATORS TO BUILD A COAL-BURNING, 1,500 MEGAWATT POWER PLANT T. IS SCHEDULED FOR COMPLETION IN FIVE YEARS. NOW, AFTER SEEING STRONGER CORPORATE EARNINGS LAST WEEK, INVESTORS SAY U.S. ECONOMIC GROWTH MAY BE STRENGTHENING, BUT THEY WANT MORE EVIDENCE. AMONG THE ECONOMIC REPORTS T HIS WEEK THAT COULD PROVIDE MOR E CLUES IS INDUSTRIAL PRODUCTION.

2. BLOOMBERG NATIONAL OCT 14 2002 6:00AM Moneycast

[**06:09:07 AM**] PG&E SAYS IT IS LOOKING AT ASSET SALES AND OTHER MOVES TO TRY TO RESTRUCTURE ITS DEBT. AND FINALLY, THE NATION'S LARGEST COAL PRODUCER SAY S IT HAS GOTTEN APPROVAL FROM STATE ENVIRONMENTAL REGULATORS TO BUILD A COAL-FUELED POWER PLANT IN KENTUCKY. **PEABODY** PLANS TO OPEN THE PLANT IN 2007 AFTER IT GETS MORE APPROVALS AND SIGNS POWER CONTRACTS. THE WEAKER E CONO MY H AS DEPRESSED POWER PRICES AND DELAYED CONSTRUCTION ON SOME PLANTS. WELL, THE MAJOR INDICES RALLIED LAST WEEK, POSTSING THEIR FIRST WEEKLY GAIN SINCE A UGUS T. CAN THE UPWARD MOMEN TUM CONTINUE?

3. BLOOMBERG NATIONAL OCT 14 2002 5:00AM Moneycast

[**05:29:40 AM**] T.X.U. WAS DOWN 31%ALSO CENTER POINT ENERGY, THIS IS A HOLDING COMPA NY FOR THE REGULATOR OPERATIONS OF RELIANT ENERGY. THEIR RATINGS WERE CUT BY S&P. THE UTILITY OWNER MAY NOT BE ABLE TO PAY OFF \$4.7 BILLION IN DEBT, BAD NEWS FOR P&G. RATING CUT TO THE LOW EST POSSIBLE LEVEL. ONE SILVER LINING, **PEABODY**, DIDN'T WIN APP ROVAL TO BUILD A \$3.5 BILLION POWER PLANT IN KIKI AND THAT WILL BE FUELED BY COAL POWER. ONE SHINING LIGHT, BACK TO YOU. ONE OF THE FIRST COAL-FIRED POWER PLANTS WE'VE SEEN APPROVED IN A LONG, LONG TIME.

4. WEHT-ABC EVANSVILLE, IN OCT 12 2002 10:00PM
News 25 Weekend Report

Nielsen Audience: 20,911 30 Second Ad Equivalency: \$390

[**10:02:24 PM**] THOSE CONDITIONS CAUSED MUCH GREATER DEMAND AND HIGHER PRICES. V A COALFIRED POWER PLANT PROPOSED FOR MUHLENBERG COUNTY RECEIVES AN AIR EMISSIONS PERMIT FROM THE CABINET FOR NATURAL RESOURCES. **PEABODY** ENERGY HAS PROPOSED THE 15-HUNDRED MEGAWATT POWER PLANT FOR CENTRAL CITY. IT WILL USE COAL FROM THIS MINE. **PEABODY** CLAIMS THE PLANT WILL BE ONE OF THE CLEANEST IN THE EAST. HOWEVER, FEDERAL E-P-A OFFICIALS HAVE QUESTIONS ABOUT THE FACILITY BECAUSE IT PROPOSES TO BURN COAL WITH A HIGH SULFUR CONTENT. THE PLANT STILL HAS SEVERAL MORE REGULATORY HURDLES TO CROSS.

5. WFIE-NBC EVANSVILLE, IN OCT 11 2002 5:00PM NewsWatch at 5

Run Time: 4:50 Nielsen Audience: 35,149 30 Second Ad Equivalency: \$775

[**05:04:07 PM**] HOWEVER THE BULLET HIT JASON, AND HE DIED FROM A GUNSHOT WOUND TO THE FOREHEAD. AN AIR QUALITY PERMIT HAS BEEN ISSUED FOR A CONTROVERSIAL POWER PLANT IN MUHLENBERG COUNTY. "PEABODY ENERGY" STILL HAS TO GET WASTE, WATER AND OTHER PERMITS TO BUILD THE COAL-FIRED PLANT NEAR CENTRAL CITY. KENTUCKY STATE REPRESENTATIVE BRENT YONTS SAYS IT STILL MAY TAKE A YEAR BEFORE CONSTRUCTION BEGINS. THE PLANT WOULD MEAN MORE THAN 400 JOBS FOR THE AREA, BUT THE ENVIRONMENTAL PROTECTION AGENCY AND MANY RESIDENTS HAVE CHALLENGED THE PLANT, ANN AND JEFF, WORRIED ABOUT OZONE POLLUTION.

Report Generated:

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Total Story Count:

5

Total Nielsen Audience:

56,060

Total 30 Second Ad Equivalency:

\$1,165

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Coal Outlook, 10/14/02

DAQ: Thoroughbred permit imminent

Peabody Energy's 1,500-MW minemouth Thoroughbred Energy generating project was to get a final Kentucky Division for Air Quality permit by last Friday, a DAQ official indicated.

The permit was awaiting the signature of DAQ Director John Lyons, according to the official. In the past, final approval would mean construction could commence on the Muhlenberg County project, but now the recently created State Board on Electric Generation and Transmission Siting must sign off on the permit.

The Legislature created the siting board earlier this year in the wake of Gov. Paul Patton's 2001 moratorium on new merchant

power plant applications.

The DAQ official said he had no idea how long it would take the siting board to consider Thoroughbred for approval. The only application approved so far by the siting board is the construction certificate issued Sept. 5 for EnviroPower's 520-MW Kentucky Mountain Power coal-fired plant in Knott County.

A Peabody spokesperson said, "We are hopeful we'll receive a permit in the near future."

Natural Resource Partners goes public, begins trading Friday

atural Resource Partners LP, a major coal landholder, priced its initial public offering Thursday at \$20/unit and officially launched trading on Friday.

Working under the trading symbol "NRP," this is one of a handful of companies that has braved the barren IPO market in recent weeks. The pricing represents a mid-range of the \$19-\$21/unit that NRP had been contemplating over the last few months.

The initial offering was 4.5 million units, which adds to a total \$90 million take. The IPO was led by Salomon Smith Barney and Lehman Brothers and comanaged by CIBC World Markets, Fried-

man Billings Ramsey and RBC Capital Markets.

"The initial public offering represents a 19.4 percent interest in NRP," the company said Friday. "The offering consists of 2,598,750 common units offered by NRP and 1,901,250 common units offered by Arch Coal, Inc. (NYSE:ACI). NRP has granted the underwriters a 30-day option to purchase up to an additional 675,000 common units to cover over-allotments, if any."

There are three land companies—Western Pocahontas Properties, Great Northern Properties and New Gauley Coal (known as the WPP Group)—that have kicked properties into NRP. Arch also

put in properties owned by its Ark Land unit. "The WPP Group will retain 46.5 percent of the partnership while Arch Coal will retain 34.1 percent," said NRP.

As of Dec. 31, 2001, NRP controlled approximately 1.15 billion tons of proven and probable coal reserves in eight states. That includes Montana reserves leased by **Peabody Energy** and **Westmoreland Coal**, Illinois reserves leased by **Knight Hawk** Coal and Central Appalachia reserves leased by **Massey Energy** and others.

In mid-afternoon Friday trading, NRP stocks were down 1.05% to \$19.79, moving counter to the rest of the market, which surged upwards.

Energy stocks rebound

After weathering a severe beating for much of the week, energy stocks rebounded strongly in Friday trading as bargain-hunting investors, bolstered by snippets of good energy news, swooped in.

The big winners in Friday trading were those stocks that had taken the biggest beating throughout the rest of the week. TXU (+7.46%), El Paso (+12.27%), Dynegy (+27.40%), AES Corp. (+27.59%) and Allegheny Energy (+8.18%) were all up significantly, after sinking, in some cases, to 52-week lows.

Coal stocks rebounded strongly as well, after suffering through a week of guilt by energy association. Peabody Group (+2.44%), Arch Coal (+4%), CONSOL Energy (+5.41%), Massey Energy (+0.62%) and Alliance Resource Partners (+5.72%) all fared relatively well.

Thoroughbred permit issued

As expected (CO 10/14), Peabody Energy's 1,500-MW minemouth Thoroughbred Energy generating project gained its Kentucky Division for Air Quality permit late Friday.

The Thoroughbred Energy Campus in Muhlenberg County will include two 750-megawatt generating units fueled by up to 6 million tons of coal/yr produced from an adjacent mine.

Now, the recently created State Board on Electric Generation and Transmission Siting must sign off on the permit and that time frame is uncertain.

Coal Outlook, 10/14/02

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A Peabody spokesperson said, "We are hopeful we'll receive a permit in the near future."

Thoroughbred Gets **Kentucky Air Permit**

As expected (CD 10/9/02), the Kentucky Cabinet for Natural Resources last week granted Peabody Energy an air emissions permit for the company's proposed 1,500 MW

power plant in Muhlenberg County, Ky.

Peabody has been promoting the Thoroughbred Generating Station as one of cleanest coal-fired generating plants to be built east of the Mississippi River, saying pollution emissions would be lower than any existing power plant of its size and kind. News of the permit approval for the Thoroughbred plant was released late Friday.

The claims have been questioned by some officials in the US EPA and by Midwest environmentalists who said plant emissions would damage the nearby Mammoth Cave National

Park.

Peabody still has several regulatory hurdles to cross, including a water withdrawal permit from the state and a siting permit from the Kentucky Public Service Commission.

"We're continuing to market the planned output of the plant and we're continuing to seek partners for the project," spokesman Vic Svec told COAL Daily.

News Stream, 10/14/02

KENTUCKY ISSUES AIR PERMIT FOR PEABODY ENERGY'S THOROUGHBRED ENERGY CAMPUS COAL-FIRED PLANT

ST. LOUIS, MO. - - - Peabody Energy said the Commonwealth of Kentucky has issued an air permit for the Thoroughbred Energy Campus, a planned 1,500-megawatt coal-fueled electric generating station in Muhlenberg County. Upon its completion, Thoroughbred will provide low-cost, low-emissions electricity in the Southeast and Midwest regions. Thoroughbred would also create hundreds of jobs and bring significant economic benefits to Western Kentucky. Thoroughbred will provide electricity for approximately 1.5 million families.

The Thoroughbred Energy Campus will include two 750-megawatt generating units fueled by up to 6 million tons of coal per year produced from an adjacent mine. The Thoroughbred project team is currently marketing the power for future delivery to utilities and industrial customers throughout the region. Depending on when long-term customers and partners are signed up, Thoroughbred could begin

generating power in the 2007 timeframe.

"Peabody believes America's need for new baseload generating plants that are fueled by coal will soon be apparent. The mild weather over the past two years and soft economy has given America 'an energy mulligan.' If our country experiences strong economic growth or normal weather patterns, we believe America's energy supplies will be severely taxed," said Peabody Executive Vice President for Corporate Development Roger B. Walcott Jr. "Coal-fueled electricity enables more people to live longer and better, and Thoroughbred will help America fulfill its energy needs by producing low-cost electricity to aid Midwest families, accelerating Kentucky's economic growth and demonstrating low-emissions technology in modern coal generating plants."

Designed with advanced environmental controls, Thoroughbred is expected to be among the cleanest major coal-fueled plants east of the Mississippi River. The plant's emissions will be far lower than current Clean Air Act standards, with sulfur dioxide and nitrogen oxide emissions that will be 86 and 84 percent

below the current Kentucky coal plant average, respectively.

Thoroughbred also will offer an outreach program to local colleges and universities to provide research opportunities involving energy and environmental engineering, carbon management and biofuel production. The outreach program's objective is: 1) to increase the knowledge base related to electricity generation using coal; and 2) to advance Peabody's goal of continuous environmental improvement in the mining and use of coal.

Thoroughbred is expected to inject more than \$3.35 billion into the Kentucky economy during the life of

the project and create \$700 million in new spending in Muhlenberg

County. Thoroughbred will create approximately 2,500 local jobs at peak construction, and the campus will create 450 permanent, high-paying jobs, the majority of which are expected to be local. Once operational, Thoroughbred is projected to annually inject nearly \$100 million into Kentucky's economy. (Peabody Energy)

October 12, 2002

Louisville Courier-Journal Louisville, KY Saturday, October 12, 2002

Air quality permit granted for power plant

By DEBORAH HIGHLAND dhighland@courier-journal.com The Courier-Journal

A giant coal-fired electric generating plant proposed for Muhlenberg County cleared a state regulatory hurdle yesterday despite earlier concerns raised by federal environmental

raised by federal environmental officials and other critics.
Peabody Energy — a major coal producer that builds power plants — has proposed the Thoroughbred Generating Station, a 1,500-megawatt plant to be built 50 miles west of Mammoth Cave National Park. The company says the plant, which company says the plant, which it hopes is operating by 2007, would be one of the cleanest

would be one of the cleanest east of the Mississippi River, with pollution significantly lower than most plants and no harm to the park's air quality.

Yesterday a Peabody subsidiary received an air quality permit for the \$2 billion plant from the state Natural Resources and Environmental Protection Cabinet. The state approval came net. The state approval came despite earlier questions raised by federal Environmental Protection Agency officials about the facility, which would use some conventional technology to burn coal mined in Muhlen-

to burn coal mined in Muhlenberg County, which has a relatively high sulfur content.

At issue is a federal Clean Air Act mandate that new power plants use the "best available control technology" for reducing emissions that contribute to smog and cause acid rain.

One of the critics, New York environmental attorney David McIntosh, contends that "if there is going to be a new wave of coal-fired power plant construction across the country, we want the precedent established early that companies need to early that companies need to cross their t's and dot their i's." The EPA officials' concerns

prompted a letter in April to the head of the agency from three Kentucky congressmen — Republicans Ron Lewis, Ernie Fletcher and Ed Whitfield — to criticize the comments and support the project The letters. port the project. The letter ro Christine Todd Whitman said it was not the EPA's job to decide which fuel or design should be used at the plant but only to de-termine whether the applicant meets federal requirements.



BY STEVE DURBIN, THE C-

After a yearlong process to obtain the air-quality permit, the plant still faces additional regulatory hurdles. They include a water withdrawal permit from the Natural Resources Cabiner and a siting permit Cabinet and a siting permit from the Public Service Com-mission, focusing on location.

mission, focusing on location, noise, appearance, traffic, potential effect on the state's electrical grid and economics.

State officials said yesterday that any concerns about the plant harming air quality near Mammoth Cave National Park are unfounded.

"There was no adverse impact on visibility to the cave area," said Diana Andrews, assistant director for Air Quality for the Cabinet for Natural Resources and Environmental Prosources and Environmental Protection.

That view is shared by the National Park Service, b McIntosh disagreed yesterday. "That's untrue," said McI

said McIn-

"That's untrue," said McIntosh, spokesman for the Natural Resources Defense Council.

McIntosh said the levels of sulfur dioxide that will be released into the air from burning coal at the plant would further damage air quality over the 53,000-acre park.

The plant would have twin 750-megawatt generating units producing enough electricity to nower 1.5 million homes.

power 1.5 million homes.

The plant would be a boon to economic development in the county, said Vic Svec, vice president of public and investor relations for St. Louis-based Peabody. Peabody estimates the plant will create 2,500 construc-tion jobs, followed by 400 to 500 permanent full-time lobs paying \$20 an hour or more.

Henderson Gleaner, 10/12/02

Additionally, before beginning construction, the company must obtain a construction permit from a siting board authorized this year by the Kentucky General Assembly to review placement of merchant power plants in the state.

Thoroughbred would be a merchant plant, selling its power to other utilities across the country during times of peak consumption.

The seven-member siting board would look at issues such as visual impact, noise, traffic flow, economic impact and whether the merchant plant would adversely affect the state's transmission grid, said Andrew Melnykovych, director of communications for the Kentucky Public Service Commission and the siting board.

The board, which has approved construction of a 500-megawatt plant in eastern Kentucky, would likely hire consultants to look at environmental and traffic issues associated with the plant, he said.

In addition to that construction permit, Peabody must also attain a water withdrawal permit from. the Army's Corps of Engineers and a waste permit for disposal of ash from the facility, York said.

The Natural Resources Defense Council said Friday it and other environmental groups could be expected to oppose construction of the power plant at each of the permitting steps and in court.

John Blair, president of the Evansville-based Valley Watch. the implication of Friday's permit is "that the Clean Air Act no longer applies to Kentucky."

Peabody did not conduct a required downwind analysis of all ly projected.

pollutants that produce ozone,

Evansville just had a horrible ozone season, and so did Louisville," he said. "Regardless of how the wind blows, it (pollution from Thoroughbred) is going to go toward one of those communities."

Blair said he regarded issuance of the permit as a political decision rather than a scientific decision.

"We're willing to go to/court to prove this is a nation of laws, notconnections," of he "Peabody used connections."

He also faulted the state's air quality division for waiting until late on Friday, before the threeday Columbus Day holiday weekend, to issue the permit.

"That's real accountability," he said.

He was also critical of the agency's written responses to comments raised in public hearings on the permit.

"They appear to have been written by somebody with a grade school education," he said. "They don't respond to anything. They take long treatises that we did and reduce it to a paragraph and say, 'It doesn't matter.' It's the most sophomoric approach to response to comments I've ever seen."

State and local officials have been enthusiastic supporters of the planned mine and power plant, hoping they will help revive the region's sagging coal mine industry.

Peabody, which has yet to secure a partner to build and operate the plant, has projected up to 2,500 people would be employed which has opposed the plant, said during construction and the creation of 450 coal mine and power plant jobs when it is finished.

The company now says the Blair contended the state and facility could be operational by 2007, a year earlier than original-

MylnKy

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URL: http://www.myinky.com/ecp/news/article/0,1626,ECP_734_1474817,00.html

Power plant permit approved

Environmentalists opposed plan over pollution

By JOHN LUCAS Courier & Press Western Kentucky bureau (270) 333-4899 or jlucas@evansville.net October 12, 2002

CENTRAL CITY, Ky. - Peabody Energy Corp. cleared a major regulatory hurdle Friday in its bid to build a 1,500-megawatt coal-fired electric plant in Muhlenberg County.

Over the objections of environmental groups, who are expected to continue efforts to block construction of the plant and an adjacent underground coal mine, the Kentucky Natural Resources Cabinet late Friday issued the company an air-quality permit.

That sets limits on the amount of pollutants the plant can release into the atmosphere. Coal-fired power plants are regarded as major sources of pollutants such as nitrogen oxide, sulfur dioxide and mercury that contribute to smog, acid rain and other environmental problems.

A Peabody spokesman said the \$2 billion plant would remove up to 98 percent of the sulfur from the high-sulfur Western Kentucky coal to be burned there - and more than 80 percent of nitrogen oxide per million Btu's, and 0.41 pounds of sulfur dioxide per million Btu's over a 24-hour average or 0.167 pounds over a 30-day average, said John Lyons, director of the Natural Resources Cabinet's Division of Air Quality.

Environmental groups say, though, those limits are too high in a region where the air is already considered polluted. The U.S. Environmental Protection Agency recently ranked Muhlenberg County 10th out of 736 counties in the Southeast for health risks associated with air pollution.

Air over Mammoth Cave National Park, about 40 miles east of the proposed power plant, was also recently ranked as the third-worst among the nation's national parks, topped only by the Great Smokey Mountains and Virginia's Shenandoah Valley national parks.

The Park Service had originally objected to construction of Thoroughbred Energy Station but signed off on the levels in the permit this summer after negotiations with the state and Peabody, Lyons said.

"We did an extensive analysis of emissions and came to the conclusion they would not adversely impact visibility at the park," said John Bunyak, director of the National Park Services air resources division at Denver.

The EPA now has 45 days to review the permit, Lyons said.

Additionally, before beginning construction, the company must obtain a construction permit from a siting board authorized this year by the Kentucky General Assembly to review placement of merchant power plants in the state.

Thoroughbred would be a merchant plant, selling its power to other utilities across the country during times of peak consumption.

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MyInKy: News

whether the merchant plant would adversely affect the state's transmission grid, said Andrew Melnykovych, director of communications for the Kentucky Public Service Commission and the siting board.

The board, which has approved construction of a 500-megawatt plant in Eastern Kentucky, would likely hire consultants to look at environmental and traffic issues associated with the plant, he said. In addition to that construction permit, Peabody must also attain a water withdrawal permit from the Army's Corps of Engineers and a waste permit for disposal of ash from the facility, York said.

The Natural Resources Defense Council said today it and other environmental groups could be expected to oppose construction of the power plant at each of the permitting steps and in court.

John Blair, president of the Evansville-based Valley Watch, which has opposed the plant, said the implication of Friday's permit is "that the Clean Air Act no longer applies to Kentucky."

Blair contended the state and Peabody did not conduct a required downwind analysis of all pollutants that produce ozone.

"Evansville just had a horrible ozone season, and so did Louisville," he said. "Regardless of how the wind blows, it (pollution from Thoroughbred) is going to go toward one of those communities."

Blair said he regarded issuance of the permit as a political decision rather than a scientific decision.

"We're willing to go to court to prove this is a nation of laws, not of connections," he said. "Peabody used connections."

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Peabody, which has yet to secure a partner to build and operate the plant, has projected up to 2,500 people would be employed during construction and the creation of 450 coal mine and power plant jobs when it is finished.

The company now says the facility could be operationally by 2007, a year earlier than originally projected. Peabody spokesman Vic Svec explained it has been "delayed given some of the disruptions in the larger energy market."

"We think the same elements that created the energy crisis of 2000 and 2001 remain in place, masked by the economic slowdown, but once the country returns to a normal growth rate, we think those same cracks in the foundation would reappear," he said.

In addition to the Muhlenberg facility, Peabody is proposing to build a 1,500-megawatt power plant near Marissa in Southern Illinois. Svec said the company is continuing to pursue permits for that plant.

October 12, 2002

PADUCAH SUN

PADUCAH, KY 30,008 SATURDAY OCT 12 2002

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Peabody Energy plant crosses one hurdle

FRANKFORT, Ky. 3535

The gigantic new coal-fired

electric generating plant proposed for Muhlenberg County on Friday received a permit from the Cabinet for Natural Resources for air emissions.

Peabody Energy has proposed the 1,500-megawatt power plant, which it has claimed will be one of the cleanest in the East, with pollution emissions significantly lower than most.

The plant still has several regulatory hurdles to cross, including a water withdrawal permit from the Natural Resources Cabinet and a siting permit from the Public Service Commission.

PARK CITY DAILY NEWS

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\Air quality permit issued to Muhlenberg plant

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gressmen to the head of the EPA to complain.

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MESSENGER-INQUIRER

OWENSBORO, KY SATURDAY 31,862 OCT 12 2002

State gives Thoroughbred air quality permit

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MUHLENBERG COUNTY

Opponents vow appeal

By David Blackburn

Messenger-Inquirer

3535

The state Division for Air Quality on Friday officially gave <u>Peabody</u> Energy's proposed coal-fired power plant an air quality permit.

"I believe this is terrific news for Kentucky, for energy, for the economy and for the environment," said Vic Svec, vice president for public relations in Peabody's St. Louis corporate headquarters.

The permit approval comes 20 months to the day after Peabody announced it wanted to build Thoroughbred Energy Campus on the old Gibraltar Coal Co. site near Central City.

State and local officials then hailed

the announcement and promises of temporary and permanent jobs at the plant and a neighboring underground mine that would feed it.

Friday's announcement of the permit approval was no different.

"That's great news," Muhlenberg County Judge-Executive Rodney Kirtley said. He noted that the air quality permit is usually considered the biggest obstacle.

Opponents announced Friday that it would not be the last.

The Natural Resources Defense Council said in a press release that it plans to file an administrative appeal of the permit with the Kentucky Natural Resources and Environmental Protection Cabinet.

The Washington, D.C.-based environmental protection group

said the cabinet's Division for Air Quality broke state and federal law by issuing the permit.

The group also said problems already exist with visibility at Mammoth Cave National Park and in Jefferson County. The U.S. Environmental Protection Agency recently deemed Jefferson the Southeast's highest area for health risks from air pollutants.

Both are downwind of Muhlenberg County, the release said.

That the permit was issued anyway "shows they have ... bowed to Peabody's political muscle," NRDC staff attorney David McIntosh said in the release.

"I'm not going to comment on that," John Lyons, director of the air quality office, said. "That's their

opinion, I guess."

"The project's moving forward because it not only helps energy supplies and provides economic promise, but because of its terrific environmental profile," Svec said.

McIntosh also said Peabody refused to use "elementary pollution controls" like coal washing.

But coal washing creates its own environmental costs, such as refuse piles of impurities, Svec said.

Advanced scrubbing would eliminate more sulfur dioxide emissions than washing anyway, he said, citing the company's claim that the plant would set a new standard for all pollutant removal.

"It's the type of project most practical environmentalists would be for," Svec said. Peabody's next step is to go through the state siting board, which looks at where such plants can be built, while looking for a partner to run the plant, Svec said.

Any local changes "will come on the heels of the siting process," Svec said. "But the timing on that is difficult to predict."

October 11, 2002

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Air quality permit issued to Muhlenberg plant

October 11, 2002

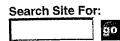
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BROADCAST TRANSCRIPT

Client: Peabody Energy

Date: 10/11/02

Station: CNN

Time: 8 AM

Program: Lou Dobbs Moneyline

Subject: Investments in

Pollution Controls

HOST: Tonight we're following up on our report about our nation's national parks. Two weeks ago we reported that, contrary to our expectations, the air in some of our national parks is anything but clean, clear or fresh, instead filled with haze and smog caused in large part by old coal fired power plants. In fact, the air quality in some of those parts is far worse than in most of this nation's major cities, with the exception of Los Angeles. I asked CNN Science Correspondent Ann Kellan to find out why this problem persists and what those power plants are doing to help us all breathe easier. Ann joins us again tonight. Ann, what did you find out?

REPORTER (ANN KELLAN, CNN SCIENCE CORRESPONDENT):

Well, in following your suggestion, we talked to representatives of some of these plants to see why they just don't clean up emissions. Bottom line, they are making changes. It takes new technology, time and a lot of money. For example, an industry spokesman told us just one scrubber to reduce sulfur dioxide emissions that creates acid rain can cost \$100 million each to install. Machines to cut nitrogen oxide, the pre-cursor to smog, costs about \$50 to \$60 million each to install. Plants near some of the parks have started installing this equipment because under federal law both old and new plants have a deadline to clean up emissions even more. The industry expects a 40% reduction in haze and smog related emissions by 2004. Now, the U.S. by the way has 250 years of coal reserves left. According to

Now, the U.S. by the way has 250 years of coal reserves left. According to Peabody Energy the U.S. is called the Saudi Arabia of coal. So, the industry is spending millions now to find cleaner ways to use it. Coal use has tripled over the past 30-years and provides more than half of this country's

BROADCAST TRANSCRIPT

electricity. Yet as bleak a picture as the report paints, industry experts say while coal use is up, overall emissions from these plants have gone down.

DAN REIDINGER (EDISON ELECTRIC INSTITUTE): Well, the report tries to give us a snapshot of where things stand in our national parks and I think it's very important to put the issue in context, which is one of continuing improvement. The fact is, the air quality has improved quite dramatically in the U.S. over about the last 30-years since the Clean Air Act, the federal law, was enacted. And we've had this improvement despite at the same time increased economic growth and energy use.

REPORTER: Now, with the Enron scandal and today's rocky economy power companies are under pressure not only to clean up emissions but to keep costs down. A plant that spends millions on clean are equipment usually pass those costs to customers in higher electric bills. In regulated areas power companies have to get permission before installing equipment and raising rates. So you can see it's a balancing act between spending and rate hikes. How much is it all worth? Industry spokesmen say often the more efficient and clean-burning a plant is, the less money it costs to operate. So company owners and stockholders would be well served with cleaner plants. Lou?

HOST: Well, the progress is gratifying and with the tensions now with Iraq and indeed the Middle East and the rush to reduce our dependence on the Middle East for energy perhaps this will help clean up things further. There is another view that democrats, and I want to ask you about this, democrats are typically the environmental party, republicans not. The democrats pushing for tougher pollution regulation, again, republicans now. What is the record on this issue?

REPORTER: Well, that's not quite true. It really does depend on where the state is and where it's located. States where pollution gets blown in from other states tend to push for more federal regulations whether they're republican or democrat. And states with economies linked to coal mining and heavy industry tend to want less federal intervention. There is one

BROADCAST TRANSCRIPT

example we see with Christine Todd Whitman. Her strong push for tougher federal regulations when she was the Governor of New Jersey has subsided somewhat in her new role as President Bush's EPA Administrator. Lou?

HOST: We can simply hope for invigoration. Ann Kellan, thank you very much for following up in that excellent report.

REPORTER: My pleasure.

END





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Dow Jones Business News

Kentucky Issues Air Permit For Peabody's Generating Station

Friday October 11, 6:03 pm ET

CHICAGO -(Dow Jones)- Kentucky regulators awarded Peabody Energy Corp. (NYSE:BTU - News) Friday an air permit to build a planned 1,500-megawatt, \$2 billion coal-fired power plant in the western part of the state.

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St. Louis-based Peabody still needs other state permits for the "Thoroughbred" coal-fired plant, and has pushed back the project's start date as it seeks business partners and longterm sales contracts, spokesman Vic Svec said. But following a long environmental debate, getting the air permit is a major step.

"The air permit is a key milestone in the project," Svec said. "It is the key permit that is required."

The permit was awarded Friday by the Division for Air Quality within the Kentucky Natural Resources and Environmental Protection Cabinet, cabinet spokesman Mark York said. To build the plant, Peabody will also need a water withdrawal permit, a waste permit, and a siting permit from the state.

Peabody also needs to clear some other major hurdles before it builds the plant, which would be located next to a Peabody coal mine in Muhlenberg County, Ky. The company is trying to market most of the Kentucky plant's output through long-term deals before committing to build, and finding buyers has proved to be a slow process, Svec said.

The target date for operations is now 2007, a year beyond initial projections, due to the tough energy market conditions that have emerged in the wake of Enron Corp.'s (ENRNQ) collapse last year, and the loss of investor confidence that has hurt many other major companies in the sector.

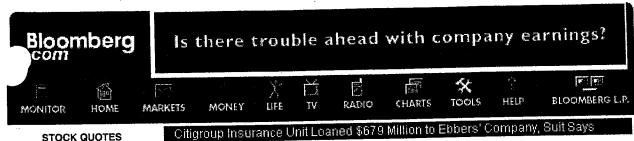
"We've eased back the schedule given the disruptions in the energy markets," Svec said.

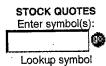
But the company believes weak economic conditions are masking underlying needs for new power, and that the Thoroughbred plant will be needed by 2007, Svec said.

Peabody is the largest private-sector coal company in the world, and supplies fuel for more than 9% of the electric power in the U.S. But the company has never built its own electric generating plant before, and is seeking a business partner to construct, operate and jointly-own the facility, and to market its power.

The company believes that achieving permits for the plant will help draw interest from prospective partners, Svec said,

The new coal-fired electric generating plant won a Kentucky air permit despite some strong environmental objections. National Resources Defense Council criticized the state's approval in a press release Friday. There has also been strong support for the project in the state, though, as it's seen as a boost for a declining coal mining industry.





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Fleming Cos., Raytheon, Sirius, TXU Corp.: U.S. Equity Preview

By Jonathan Make

New York, Oct. 11 (Bloomberg) -- The following is a list of companies whose shares may fluctuate in U.S. markets Monday, Oct. 14. This preview includes news that broke after markets closed Friday at 4 p.m. New York time. Stock symbols are in parentheses after the company name.

Centerpoint Energy Inc. (CNP): The power company's credit ratings were cut one level by Standard & Poor's, which said the utility owner faces an increased risk it would have to pay off \$4.7 billion in loans early. Centerpoint fell 25 cents to \$7.25.

Fleming Cos. (FLM): The grocery distributor got bids for some of its supermarkets, which it has said could fetch more than \$450 million, from Kroger Co. (KR) and Albertson's Inc. (ABS), people familiar with the matter said. Fleming rose 25 cents to \$4.15.

Peabody Energy Corp. (BTU): The coal producer won approval to build a \$3.35 billion coal-fueled power plant in Kentucky from state environmental regulators. Peabody rose 60 cents to \$25.60.

PG&E Corp. (PCG): The junk credit rating of the company's PG&E National Energy Group Inc. unit was cut five levels by Standard & Poor's, citing the potential for that business to default. PG&E fell 5 cents to \$9.19.

Prudential Financial Inc. (PRU): A unit of the insurance company was ordered to pay \$261.7 million in damages to investors who accused their broker of selling stock without permission. Prudential rose \$1.13 to \$27.48.

Raytheon Co. (RTN): The defense contractor expects \$70 million to \$75 million in costs from fixing turbines on two Massachusetts power projects and must pay \$68.1 million if one isn't accepted by its customer by Jan. 13. Raytheon rose \$1.48 to \$28.60.

Sirius Satellite Radio Inc. (SIRI): The unprofitable satellite-radio company didn't make a \$720,000 interest payment on its bond as it tries to raise cash to keep operating through next year. Sirius fell 20 cents to 69 cents.

Syncor International Corp. (SCOR): The distributor or drugs used in medical imaging, which is being bought by Cardinal Health Inc., (CAH) said third-quarter profit was hurt as it writes down the value of a business. It will have an expense of \$28 million to \$35 million in the quarter, according to a Securities & Exchange Commission filing. Syncor rose \$1.39 to \$34.37.



ENERGY MARKETS

Global Solutions For Integrated Energy Executives

Kentucky Issues Air Permit for Peabody's Thoroughbred Energy Campus

ST. LOUIS, Oct. 11 /PRNewswire-FirstCall/ -- Peabody Energy (NYSE: BTU) today said the Commonwealth of Kentucky has issued an air permit for the Thoroughbred Energy Campus, a planned 1,500-megawatt coal-fueled electric generating station in Muhlenberg County. Upon its completion, Thoroughbred will provide low-cost, low-emissions electricity in the Southeast and Midwest regions. Thoroughbred would also create hundreds of jobs and bring significant economic benefits to Western Kentucky. Thoroughbred will provide electricity for approximately 1.5 million families.

The Thoroughbred Energy Campus will include two 750-megawatt generating units fueled by up to 6 million tons of coal per year produced from an adjacent mine. The Thoroughbred project team is currently marketing the power for future delivery to utilities and industrial customers throughout the region. Depending on when long-term customers and partners are signed up, Thoroughbred could begin generating power in the 2007 timeframe.

"Peabody believes America's need for new baseload generating plants that are fueled by coal will soon be apparent. The mild weather over the past two years and soft economy have given America 'an energy mulligan.' If our country experiences strong economic growth or normal weather patterns, we have america's energy supplies will be severely taxed," said Peabody

cutive Vice President for Corporate Development Roger B. Walcott Jr. sal-fueled electricity enables more people to live longer and better, and Thoroughbred will help America fulfill its energy needs by producing low-cost electricity to aid Midwest families, accelerating Kentucky's economic growth and demonstrating low-emissions technology in modern coal generating plants."

Designed with advanced environmental controls, Thoroughbred is expected to be among the cleanest major coal-fueled plants east of the Mississippi River. The plant's emissions will be far lower than current Clean Air Act standards, with sulfur dioxide and nitrogen oxide emissions that will be 86 and 84 percent below the current Kentucky coal plant average, respectively.

Thoroughbred also will offer an outreach program to local colleges and universities to provide research opportunities involving energy and environmental engineering, carbon management and biofuel production. The outreach program's objective is: 1) to increase the knowledge base related to electricity generation using coal; and 2) to advance Peabody's goal of continuous environmental improvement in the mining and use of coal.

Thoroughbred is expected to inject more than \$3.35 billion into the Kentucky economy during the life of the project and create \$700 million in new spending in Muhlenberg County. Thoroughbred will create approximately 2,500 local jobs at peak construction, and the campus will create 450 permanent, high-paying jobs, the majority of which are expected to be local. Once operational, Thoroughbred is projected to annually inject nearly \$100 million into Kentucky's economy.

Peabody Energy (NYSE: BTU) is the world's largest private-sector coal company, with 2001 sales of 194 million tons of coal and \$2.7 billion in revenues. Its coal products fuel more than 9 percent of all U.S. electricity generation and more than 2 percent of worldwide electricity generation.

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Back

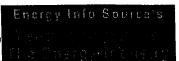




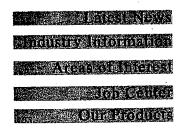












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Industry News

October 11, 2002 Kentucky Issues Air Permit for Peabody's Thoroughbred Energy Campus

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Back

October 9, 2002

Thoroughbred permit By RITA DUKES vision of Air Quality stated that phase of the permit process was a

. Leader-News Editor

Peabody officials are reaching the final steps in obtaining an air quality permit for the proposed Thoroughbred Energy Campus to be constructed in Central City.

Vic Svec, Peabody's vice president of public relations in St. Louis, said the company has answered all objections raised during the public comment phase of the air permit process.

Donald Newell of the state Di-

while comments are still being reviewed, he anticipates the permit to be granted by the end of this week.

Answering public comments has given Peabody an opportunity to fine-tune its project, said Svec.

"It is a useful process," he said. "This is democracy at its best to talk about a major new economic development when any interested party can raise relevant environmental concerns."

Answering the comments

little give and take when the National Park Service raised concerns over visibility at nearby Mammoth Cave National Park. After, Peabody tweaked its system emission projections, the park service withdrew its objection, said Svec.

Peabody also answered to a 33page written objection to the plant being built in Muhlenberg County by the Owensboro Building and Construction Trades Council.

In the 33-page document, issues were raised about failure to use best available technology.

However, the article of the objection which surprised Peabody officials most regarded switching coal sources. The Thoroughbred Energy Campus proposal suggests using fuel from a mine to be built alongside it.

An excerpt from the objection reads: "In the United States, it is not at all unusual for electric utility steam boilers to receive shipments of coal as fuel from hundreds, even thousands of miles away. As a result, receipt of fuels delivered from remote sources is considered a technique in wide use and cannot be disregarded as a potential control measure, regardless of the cost."

Before coal-burning power. plants placed scrubbers and other pollution control on smokestacks, lower sulfur coal began to heat up the market after the Clean Air Act of 1980. Much of the nation's lower sulfur coal is found in the

Powder River Basin such as in

Wyoming
"Yes, we found it startling that anyone from western Kentucky would suggest we not use western Kentucky coal," said Svec. "When we focus on the details of the environment, we're talking about something that is extremely helpful for domestic energy supply when national security is at an alltime high.

"This ensures low-cost energy," he said. "The advantages of the ripple effect of a \$2 billion investment and setting new environmental standards are substantial on this issue."

Svec said he had no reason. to believe a study released by the Environmental Protection Agency listing Muhlenberg County as No. 10 in pollution health-risk in Southeastern counties would affect the Thor-

oughbred project.
The EPA's Atlanta office speculated that TVA's Paradise Fossil Fuel Plant in Drakesboro is a primary factor in the

pollution rating. However, Svec believes the information slope is outdated. Some of the followation gathered for the study was based on data from the mid-1990s, according to a story in Oct. 3's Louisville Courier-Journal.

"I have no reason to believe this would hinder our permit," said Svec. Thoroughbred represents low cost, low emission energy. It is the type of plant . folks who support the environment tend to be behind."

Svec said if the Thoroughbred Energy Campus is built, a University of Kentucky research facility on the site is a

good possibility.

According to Charles L. Berger of Charles L. Berger, Berger and Berger of Evansville, Ind., no comment would be forthcoming from the Owensboro Building and Construction Trades Council, whom he represents, unless a permit is issued.

Berger declined to divulge the name of the president of the council.

There is no telephone listing for the council in the Owensboro telephone directory. .

October 5, 2002

MESSENGER-INQUIRER

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MUHLENBERG COUNTY

County, coal plant officials not worried about poor EPA air quality ranking 3535 Control Seen the study, which was partly on data from the

outdated, TVA official says

By David Blackburn Messenger-Inquirer

Coal plant representatives and local officials expressed little concern Friday about Muhlenberg County's No. 10 ranking in a pollution health-risk study.

A study of Southeastern counties by the Environmental Protection Agency's Atlanta office cited the coal-burning Paradise Fossil Fuel Plant in Drakesboro as the main reason for the ranking. It is owned by Tennessee Valley Authority.

John Shipp, TVA's general manager of environmental policy

seen the study, which was based partly on data from the mid-1990s, according to a story in Thursday's Courier-Journal in Louisville.

"In the last four to eight years, we have made significant reductions in the emissions from our plants and have significant reductions yet planned," Shipp said.

Selective catalytic reduction devices, which reduce nitrous oxide emissions, were installed on Units 1 and 2 in 2000 and 2001, Shipp said.

The units also have been fitted with scrubbers, which reduce sulfur dioxide, in recent years, he

A catalytic reduction device is

and planning, said he had not being designed for Unit 3, and an engineering contract was recently awarded for a scrubber for the unit,

> The renovations are part of an emission-control program for which TVA spent \$400 million last fiscal year and will spend \$500 million this fiscal year, which began Tuesday, Shipp said.

Judge-Executive Rodney Kirtley, who had not seen the study, said he was surprised.

The county has relatively little traffic, since it doesn't have multiple interstates and parkways, Kirtley said.

Plus, the Paradise plant is near the county's eastern border, which should mean emissions would be carried out of the county by the west-to-east jet stream, he said.

That's why the U.S. Parks Service has raised concerns about Peabody Energy's plans to build a large, coal-fired power plant near Central City, Kirtley added.

Officials at Mammoth Cave, about an hour east of Muhlenberg County, feared emissions would reduce visibility at the site.

Those concerns prompted Peabody to refigure computer proriections of the volume of its emissions. The plant's air quality permit

is still under review by the state Division for Air Quality.

Kirtley said he is only slightly concerned about the effect the study might have on Thoroughbred's permit, particularly when the new plant's emissions are added to Paradise's.

"We're going to bring technology that's going to burn clean," Kirtley said. "I'd think they (state officials) would embrace it.'

Central City Mayor Hugh Sweatt, who had not seen the study,

"Thoroughbred can't be responsible for anybody else's design,' said, citing Peabody's promise that it would have state-of-the-art emission technology.

"I don't think we have higherthan-average cancer rate ... or anything else that would be caused by that (Paradise's emissions)," Sweatt said. "Thoroughbred needs to stand on it's own merit."

Nor was Peabody worried. "We remain optimistic about an air quality permit," said Vic Svec, Peabody's vice president for public relations. "We feel very good about the environmental example that

David Blackburn, 338-6580, dblackburn@messenger-inquirer.com

Thoroughbred represents."

T-bred articles for briders a date voor

November 18, 2002

Sierra Club calls Thoroughbred air permit 'unlawful'

The Sierra Club and other groups filed appeals last week against the state air permit issued in October for Peabody Energy's Thoroughbred Energy clean-coal plant project. The Sierra Club said the Kentucky Division for Air Quality "unlawfully approved" the Muhlenberg County project.

Peabody, which has maintained that the 1,500-MW minemouth plant will be the cleanest plant east of the Mississippi River, responded, "We would not expect the [appeals] process to cause any delays on the project."

The appeals process takes six to nine months, a spokesperson noted.

Sierra maintained in a release that Thoroughbred "would generate massive amounts of the pollution that causes asthma,

contaminate lakes and streams with mercury, and significantly worsen haze at the nearby Mammoth Cave National Park."

The organization continued, "Mammoth Cave National Park already has the third most hazy skies of any national park in the country and the permit does not explain how an additional 22 million pounds of sulfur dioxide pollution will do anything but add to the problem." Thoroughbred, according to Sierra, also "would emit 12 million pounds of nitrous oxide pollution, 2.5 million pounds of particulate matter and 420 pounds of mercury into the air every year."

But the Peabody spokesperson countered, "Our SO2 emissions will be 86% below the current Kentucky coal plant average," and nitrogen oxide emissions will be 84% below the current Kentucky

coal plant average.

Sierra was joined by Valley Watch, based in Evansville, Ind., in filing the appeal, which will be considered by the Kentucky Natural Resource and Environmental Protection Cabinet's Office of Administrative Hearings. A hearing schedule will be forthcoming, a cabinet official said.

Three individuals also joined the appeal, according to a local press report.

Thoroughbred is a pulverized-coal generating station that will take up to 6 million tons/year produced from an adjacent mine. "Depending on when long-term customers and partners are signed up, Thoroughbred could begin generating power in the 2007 timeframe," Peabody said on its website.

Energy Daily, 11/18/02

Greens Fighting Permit For Huge Coal-Fired Power Plant

BY CHRIS HOLLY

In what could become a tumultuous legal battle over the Bush administration's energy policies, two environmental groups last week challenged a decision by Kentucky regulators to grant a permit for a 1,500-megawatt coal-fired power plant proposed by Peabody Energy to be built upwind of the Mammoth Cave National Park.

The groups—the Kentucky chapter of the Sierra Club and the Indiana-based Valley Watch—say the Kentucky Division of Air Quality "unlawfully" granted the permit for Peabody's Thoroughbred Generating Station by not requiring that the plant be equipped with the best available control technology (BACT) for limiting emissions that would increase visibility concerns at the park.

They also say that after career National Park Service (NPS) officials found that the air permit terms sought by Peabody would impair visibility at the park, senior Bush political appointees at the Interior Department—at the company's request—moved to force the career officials to reverse their finding.

The challenge is significant because it targets the first new coal-fired power plant to receive permits under the Bush administration. Its outcome could give a strong signal on how successful the White House will be in pursuing its strategy of dramatically boosting U.S. coal-fired electricity generation.

Documents obtained recently by the Natural Resources Defense Council through a Freedom of Information Act request suggest that Deputy Interior Secretary J. Stephen Griles asked NPS Director Fran Mainella to ensure that NPS career officials backed off their position that Peabody needed to take more aggressive steps to address visibility concerns before the park service would sign off on the Kentucky permit, granted by the state October 11.

Both Griles and Mainella are Bush political appointees. Griles, who also served at Interior during the Reagan administration, was a senior lobbyist at the National Mining Association before joining the current Bush administration. The documents also suggest that the White House intervened in the permit process as well.

"It's clear that senior political appointees at Interior acted to reverse the decision of career [NPS] officials that pollution from the plant would have adverse impacts on visibility at Mammoth Cave National Park," said Ramesh Bhatt, vice chair of the Cumberland branch of the Kentucky Sierra Club.

An Interior Department official denied these charges. "I don't think [Griles] intervened at all," the official said, declining further comment.

Peabody Energy is the world's largest private-sector coal company, fueling more than 9 percent of all U.S. electricity generation and more than 2 percent of worldwide electricity generation

Energy Daily, 11/18/02

The Thoroughbred facility would be built at the mouth of a Peabody mine in Muhlenburg County, near the Green River and transmission lines.

In March 2000, Peabody filed for a "prevention of significant deterioration" (PSD) permit, a class of Clean Air Act permits intended to ensure that industrial pollution sources built upwind of pristine areas do not diminish air quality.

NPS career officials on April 27, 2001, raised concerns that the project would have adverse impacts on visibility at Mammoth, and asked Kentucky regulators not to issue a permit until Peabody "satisfactorily addressed all of our concerns."

Peabody then changed its permit application to reduce sulfur dioxide and nitrogen oxide emissions to address NPS' concerns. But agency officials wanted Peabody also to consider coal washing to remove up to 60 percent of the sulfur in the coal, and to make further reductions in particulate and nitrogen oxides emissions.

Peabody officials met with Mainella and Griles in early September to, as a NPS official later said in a memo to colleagues, "get Fran to retract the adverse impact finding."

Bob Carson, an air resource specialist in NPS' science and resource management division, said in a Sept. 20, 2001, e-mail to a colleague that the park service "still had concerns about visibility not being an important attribute for Mammoth Cave National Park."

Carson added that despite Peabody's offer to lower NOx emissions from 6,800 tons per year to slightly more than 6,000 tons/year, the service still had concerns because "we're currently violating the 8-hour ozone [national ambient air quality standard (NAAQS)] and have seen 1-hour ozone measurements over the 1-hour NAAQS as recent as 1999.

"Director Mainella and Deputy Secretary Griles asked me to work with you all as closely as possible to expedite our review process. I feel like we have been responsive to this permit and supplied any and all information as soon as possible."

White House Intervenes

Later, the White House intervened, holding a Dec. 19, 2001, conference call to discuss the Thoroughbred project's permit application with officials from NPS, the Fish and Wildlife Service, the Environmental Protection Agency and the White House Task Force on Energy Project Streamlining—a group established by the administration to help speed permit review processes for new power plants.

In an August 12 e-mail to Chris Shaver, chief of the NPS Air Resources Division in Denver, Carson said NPS would likely get its "last shot" at the Thoroughbred permit in a conference call the next day with Kentucky officials.

Energy Daily, 11/18/02

"Director Mainella indicated she does not want to take the adverse impact determination up the line and asked that technical parties get together to resolve remaining issues," Carson said.

Carson noted that thanks to Air Resources Division efforts, "we have made significant progress in reducing air pollution from this facility. Without this involvement, which may not be possible under [President Bush's proposed Clear Skies Initiative multipollutant emissions reduction proposal], we could be looking at a 44,000 ton [per year] SO2 source being built instead of a 11,000 ton source that we have today."

In the end, the NPS concerns lay with two emission rates for SO2 in the most recent form of a draft permit issued by the state for the Thoroughbred facility.

NPS officials worried that if the plant operated at the short-term rate of 0.41 pounds per million Btu (lbs/mmBtu) proposed by Peabody, the plant would exceed a 30-day rolling average rate set out in the permit. Accordingly, NPS officials sought to cut the short-term rate nearly in half, to 0.23 lbs/mmBtu

But Peabody officials said the vendors of the control equipment for the plant would not guarantee the equipment could operate at that low rate and told the NPS officials the company could not agree to their proposal.

The compromise ultimately agreed upon calls on the plant to operate at the original short-term rate of 0.41 lbs/mmBtu for two years. NPS would then study the emissions and air quality data for the period and if the plant violated visibility emission limits, Kentucky officials would change the permit to require a lower short-term rate.

November 14, 2002

Coal Trader, 11/14/02

Peabody to close Gillette office

Peabody Energy will close its Gillette, Wyo., office at the end of the year, according to company spokesperson Beth Sutton.

"We are shutting down the office by end of year and will be moving those employees to our operations within the Powder River Basin," Sutton said. Peabody owns and operates the Rawhide, Caballo and North Antelope/Rochelle mines in the northern and southern Wyoming PRB.

The move was done "to reduce costs and to integrate operations," Sutton said. "So there's no real effect on the number of jobs...It basically increases efficiencies and minimizes costs."

About 24 people will be impacted by the shutdown. The office houses administrative and support functions ranging from human resources to engineering and environmental jobs.

Peabody employs roughly 1,000 people in the PRB.

Groups challenge Thoroughbred air permit

laiming faulty air-quality modeling, two environmental groups have appealed the Kentucky air permit issued in October for Peabody Energy's Thoroughbred Energy clean-coal plant project in Muhlenberg County.

Tuesday was the deadline for filing appeals to the permit, issued by the Kentucky Division for Air Quality. A Peabody spokesperson said, "We would not expect the process to cause any delays on the project. The appeals process takes six to

nine months."

The two environmental groups, the Sierra Club and Valley Watch, based in Evansville, Ind., will have their appeal considered by the Kentucky Natural Resource and Environmental Protection Cabinet's Office of Administrative Hearings.

Development of Thoroughbred "has been entirely an open process," the Peabody spokesperson said. She noted that the project would be the "cleanest coal plant east of the Mississippi River," with emissions below the Kentucky standard.

"Our SO2 emissions will be 86% below the current Kentucky coal plant average," and nitrogen oxide emissions are 84% below the current Kentucky coal plant average, she noted.

Three individuals also joined the appeal,

according to a local press report.

Thoroughbred is a planned 1,500-megawatt, pulverized coal-fueled generating station that will take up to 6 million tons/year produced from an adjacent mine.

"Depending on when long-term customers and partners are signed up, Thoroughbred could begin generating power in the 2007 timeframe," Peabody said on its website.

Groups appeal permit for Peabody

11/14/02

By David Blackburn

Messenger-Inquirer

Plans for Peabody Energy's proposed Thoroughbred Generating Station now face an appeal of its air permit as well as a shaky economy and disrupted energy markets.

Environmentalists on Tuesday filed an appeal of the permit given to Peabody on Oct. 11 to build the coal-fired power plant near Central City.

John Blair, founder of the Evansville-based Valley Watch Inc. that is one of the five litigants, said the state Division for Air Quality failed to follow the Clean Air Act in granting the permit.

Among other things, there was no downwind analysis for ozone and no pre-construction monitoring of the current air quality levels in the area of proposed site, Blair said.

"At the end of the day, unless it's a kangaroo court, the law will prevail," he said Wednesday. "It's clear the state didn't follow the law in granting the permit."

Blair also said political influence was used to get the state to quickly grant the permit.

"We expect not only Peabody to follow the law, but the state of Kentucky to follow the law," he said. "They haven't; they blatantly issued this permit as a way to appease political friends" -- especially the area's congressional delegation, he said.

"That's why we're standing in the way of it."

Other parties included the Sierra Club; environmental attorneys Hank Graddy of Midway and Leslie Barras of Louisville; Hilary Lambert of Fayette County, conservation chair of the Bluegrass Group; and Roger Brucker, an Ohio author and explorer of Mammoth Cave.

They sent the appeal to the Office of Administrative Hearings in the Cabinet for Natural Resources and Environmental Protection, which includes the air quality division.

The process will be similar to a civil case, said Mark York, a cabinet spokesman. Peabody will be given a chance to respond; discovery, such as depositions, will take place; and conferences will be scheduled, York said.

The matter could be sent to arbitration or "there could be settlement reached prior to a hearing," he said. The hearing officer from the administrative office, which is independent of the cabinet, would hear testimony and review evidence before issuing a recommendation to the cabinet.

The hearing officer's decision can be appealed by either side to Franklin Circuit Court, York said. York said he didn't know how long the process would take. "Every case is individual," he said.

Beth Sutton, a Peabody spokesperson, said she expects the appeals to take six to nine months. "We believe the permit has been properly issued," she said. "Peabody shares a commitment to protect the environment."

Since the appeal was filed Tuesday, the company has not yet prepared a response, she said. Sutton said the appeal is not expected delay the schedule for the plant, which is now expected to start transmission in 2007 or 2008. Peabody officials predicted a mid-2005 startup when announcing the project last year.

"This is a dynamic process," Sutton said. "There's a number of factors that impact the actual startup." She cited Peabody's search for a partner to run the plant, its four-year construction process, marketing the energy to potential customers and disruptions in the energy market, such as the current economic recession.

Central City Mayor Hugh Sweatt, who has been a fan of the project and the jobs it promises to create, said he is not worried about the appeal, although "you get tired of the delay tactics."

"Nobody has disproven the figures that Peabody's put out, as far as I know," Sweatt said, referring to the company's projections for low emissions. Only allegations have been made, he said. The cabinet and its air quality division are responsible for setting the standards for air quality, Sweatt added. "I didn't elect anybody from Valley Watch," he said.

Sweatt added that he wants clean water and air within reason, and that the plant should be stopped if its output is proven to be deadly.

Coal Daily, 11/14/02

Peabody Shuttering Its Gillette Office

Peabody Energy is closing its Gillette, Wyo. office in an effort to trim costs and streamline its Powder River Basin operations.

The satellite office employs roughly 24 workers, but none of them will lose their jobs, according to company spokeswoman Beth Sutton. The Gillette workers will be transferred to Peabody's three mine sites — Caballo, Rawhide and North Antelope-Rochelle — in the region, which Sutton said will help to better integrate the company's support functions

Peabody employs approximately 1,000 at its PRB operations.

In Brief . . .

As expected, several organizations and three individuals filed an appeal Tuesday to protest Peabody Energy's receipt of a clean air permit for its Thoroughbred plant (CD 11/12/02). The Natural Resources Defense Council, Sierra Club and Indiana-based Valley Watch filed with the Kentucky Natural Resources and Environmental Protection Cabinet's Office of Administrative Hearings. The plaintiffs say Kentucky failed to ensure the Peabody plant would meet the requirements of the federal Clean Air Act. Cabinet spokesman Mark York said the cabinet will defend its decision to grant the permit.

Kentucky plant foes will seek hearing

By MARK WILSON Courier & Press staff writer 464-7417 or mwilson@evansville.net November 14, 2002

Environmental groups are hoping for a hearing by mid-December appealing the Kentucky air pollution permit for a proposed power plant in Muhlenberg County.

An attorney for the Sierra Club, a national conservation group, and Valley Watch, an Evansville-based advocacy group, filed a petition for the hearing in Franklin Circuit Court in Frankfort, Ky., on Wednesday.

The groups want the permit for Peabody Energy's proposed Thoroughbred Energy Campus to be built near Central City, Ky., sent back to be reworked. The 1,500-megawatt power plant would be one of the first coal-burning power plants built in the country in years.

"This is one of the few major coal-fired power plants proposed in some time. It has been a long time since coal-fired power plants have been built," said Ramesh Bhatt, vice chairman of the Cumberland Chapter of the Sierra Club.

Absent from the appeals process is the Natural Resource Defense Council, a Washington, D.C.-based organization that played a major role in challenging various aspects of the permit as it was being hashed out between the Kentucky Division of Air Quality and Peabody.

The organization had to make a strategic decision about how best to use its resources, said David McIntosh, an attorney with the group.

Valley Watch President John Blair said he understood the decision and that it did not reflect changing perceptions about the environmental community's dissatisfaction with the permit.

"It's a disappointment but it is not one that we can't overcome. There are so many things to fight them on," Blair said. "The ones I am most concerned about are the lack of preconstruction (air quality) monitoring and study of downwind ozone impacts, but the bottom line is that this plant is not economically viable."

Beth Sutton, a Peabody Energy spokeswoman, acknowledged Wednesday that economic and market factors will play a role in the company's time line for continued development of the project, which is now slated to be operational in 2007 or 2008. She said that Peabody is still seeking a partner to operate the power plant and customers for the electricity.

The permit sets limits on the amount of various pollutants the plant can release into the atmosphere. Coal-fired power plants are regarded as major sources of pollutants such as nitrogen oxide, sulfur dioxide, particulate matter and mercury that contribute to smog, acid rain and other environmental and health problems.

Peabody argues that the \$2 billion plant would remove up to 98 percent of the sulfur from the high-sulfur Western Kentucky coal to be burned there and more than 80 percent of the ozone-causing nitrogen oxide. The permit limits the plant to emissions of 0.08 pounds of nitrogen oxide per million Btus, and 0.41 pounds of sulfur dioxide per million Btus over a 24-hour average or 0.167 pounds over a 30-day average.

Environmental groups such as the Sierra Club and Valley Watch contend those limits are too high in a region already under siege from air pollution, much of it from power plants. The U.S. Environmental Protection Agency recently ranked Muhlenberg County 10th out of 736 counties in the Southeast for health risks associated with air pollution. Air over Mammoth Cave National

Park, about 40 miles east of the proposed power plant, was also recently ranked as the third-worst among the country's national parks, topped only by the Great Smoky Mountains and Virginia's Shenandoah Valley national parks. The National Park Service originally had objected to the power plant but signed off on the pollution limits in the permit this summer after negotiations with state air quality officials and Peabody and its own study of potential emissions, which concluded that they would not adversely impact visibility at the park.

Bhatt said his organization would like to see a detailed air quality monitoring and enforcement plan for the proposed power plants. The group would also like the permit to include an hourly emissions limit that would help hold the utility responsible for large one-time releases that might cause environmental and health threats but not skew the averages for the other limits enough to bring enforcement actions.

Environmentalists also take exception with permit language that allows Peabody to only test the coal it burns for mercury four times a year.

"We believe that is a very lax monitoring requirement that we think masks the real impact of this facility," Bhatt said.

Another issue opponents think is key to their challenge is whether Kentucky is holding Peabody to the use of the best available control technology to curb pollution from the plant. "This nation has invested millions of dollars in clean-coal technology. This plant doesn't install any of that. This is 19th century technology with some devices at the end of the pipe to make it palatable," said Hank Graddy, an attorney for the Sierra Club. However, Sutton argued that the proposed plant will be clean.

"We believe with some certainty that this will help set the best available control technology standard for pulverized coal plants," she said. "The plant's (proposed) emissions are extremely low and the development of Thoroughbred has been an extremely open process. Many of these concerns have been heard and addressed. There have been multiple opportunities for public input."

State and local officials have supported the power plant in hopes that it will boost the area's economy. Peabody projects up to 2,500 people would be employed during construction and that the finished power plant will create 450 coal mine and power plant jobs.

November 13, 2002

Louisville Courier-Journal

Louisville, KY Wednesday, November 13, 2002

Coal-fired plant's air permit appealed

By JAMES BRUGGERS

jbruggers@courier-journal.com The Courier-Journal

Environmentalists have appealed a decision by state regulators to grant Peabody Energy an air-quality permit for a large, coal-fired plant planned in Western Kentucky.

The Sierra Club was joined by Valley Watch Inc. and three individuals in the legal challenge, filed yesterday with the state Natural Resources and Environmental Protection Cabinet's Office of Administrative Hearings.

Midway, Ky., environmental attorney Hank Graddy, who is active in Sierra Club circles, filed the appeal.

"This is a case that needs to be brought," Graddy said, adding that the state failed to ensure that Peabody's planned Thoroughbred Generating Station in Central City will meet the requirements of the federal Clean Air Act

John Blair, who leads Valley Watch, based in Evansville, Ind., contends the company's computer modeling of air quality is faulty. "The whole permit was based on manipulated figures that have no meaning in the real world," he said.

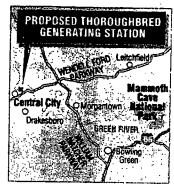
The Kentucky Division for Air Quality, which is part of the Natural Resources cabinet, issued the pre-construction air permit on Oct. 11.

Cabinet spokesman Mark York said he could not comment on the appeal because he had not seen it. He said, however, that the cabinet will defend its decision to grant the permit.

An air permit is one of several approvals that Peabody needs before it can begin construction.

Peabody spokeswoman Beth Sutton said she had not seen the appeal late yesterday and could not comment on it. But she said the plant "offers a suite of advanced controls to protect the environment."

The appeal is largely on technical grounds. For example, it says the state failed to require



BY STEVE DURBIN, THE C-J

Peabody to use all of the "best available (pollution) control technology" as required by the Clean Air Act.

One example, Graddy said, is that the state is not forcing the company to wash its coal before burning it — a step to reduce sulfur dioxide emissions.

Sutton said coal washing lowers emissions but can cause other environmental problems,

The appeal also asserts that the cabinet's decision failed to prevent already smoggy skies over Mammoth Cave National Park, about 50 miles east of the plant's proposed site, from getting worse. Two studies released in September found its visibility the worst of all national parks.

Other parties in the challenge are Leslie Barras, a Louisville environmental lawyer and member of the Sierra Club state chapter executive committee; Hilary Lambert, of Fayette County and conservation chair of the club's Bluegrass Group; and Roger Brucker of Ohio, a Mammoth Cave explorer and author.

The appeals process could lead to a hearing where both sides would present evidence and expert witnesses, York said.

If no settlement is reached, an administrative law judge would make a report and recommendation to Natural Resources cabinet Secretary Henry C. List, the final arbiter.

Parties not satisfied with the result could then file suit.

November 12, 2002

Enviros Say Govt Pressure Led to Plant Permit OK

The Natural Resources Defense Council is claiming highlevel political pressure caused the US Department of

Interior to clear the way for approval of an air quality permit for **Peabody Energy**'s Thoroughbred Generating Station (CD 8/28/02).

NRDC has been critical of Peabody's large contributions to the Republican Party. For example, a recent analysis of campaign donations showed that Peabody and affiliates United Minerals, Arclar Co. and Black Beauty Coal each gave \$100,000 to the National Republican Senatorial Committee this year (CD 9/25/02).

The group believes that relationship caused DOI officials to put pressure on permitting authorities on behalf of Peabody.

NRDC is planning to appeal the permit approval today, citing internal DOI e-mails and documents that reveal DOI's decision to reverse findings from its own National Park Service (NPS) staff (CD 5/29/02). The NPS staff initially concluded the Peabody plant would have a detrimental effect on the air quality at Mammoth Cave National Park, located approximately 50 miles from the proposed plant site.

NRDC lawyer David McIntosh said the documents, obtained through the Freedom of Information Act, show that NPS director Fran P. Mainella and deputy Interior Secretary J. Steven Griles pressured the NPS staff to reverse their findings. Griles is already under fire from environmentalists who claim he has violated his federal ethics agreement by meeting with his former energy company clients and working

on particular issues that benefit them (CD 9/26/02).

The reversal lead to a DOI decision to accept Peabody's analysis that the Thoroughbred plant would have no significant impact on air-quality near the park.

Soon after that decision was rendered, the Kentucky **Division for Air Quality** issued a proposed final air quality permit for the plant.

DOI officials have confirmed Mainella's and Griles' involvement but say the NRDC lawyer has misinterpreted their actions.

NPS spokeswoman Christine Shaver said Mainella had encouraged her staff to find a "win-win" solution in the Peabody matter. Shaver said Griles' involvement lead to a greater effort to reach a compromise solution between Peabody and the NPS staff who initially opposed the plant's construction. Shaver said that as a result of Griles' involvement, Peabody provided additional technical information needed to prove its case.

Shaver said Peabody was able to prove that the initial NPS finding last February that analyzed a proposed limit on SO₂ emissions based on 30 days of monitoring was technically flawed.

Peabody spokesman Vic Svec issued a statement that said the company was pleased that NPS opposition was withdrawn. "[A]nd we believe that this was appropriate given the higher environmental performance that we are able to offer."

Peabody did have to agree to changes as part of the DOI's decision to green-light the project. Peabody agreed to operate the plant for two years under an emissions cap, and agreed to a potential tightening of those limits after two years.

November 11, 2002

Coal & Energy Price Report, 11/11/02

Market Commentary

Peabody Energy certainly wasn't under the illusion that green groups would let the horse run without reaching for their lariats. Sure enough, the greenies are gonna try to run down the Thoroughbred - Energy Project, that is.

Probably, it's the pursuers, rather than the pursued, doing all the naying a whinnying.

The Natural Resources Defense Council (NRDC) is going to try to convince anyone who will listen that high-level officials in the Bush administration gave Thoroughbred a free pass where its air permit is concerned. Well, it's unclear that any such consideration was given, but a White House task force did get involved in the decision.

Seems it was the logical thing to do since the White House Task Force on Energy Streamlining was formed to help facilitate permitting of energy projects. Thoroughbred being an energy project, those task force guys probably said, "Hey! Let's do our task!"

But the broad brush used to splatter coal friend and Deputy Interior Secretary J. Steven Griles has left enough has left enough paint to make him stick out in a crowd, and it appears that the NRDC is going to throw his name around enough to attempt to get itself noticed.

Expect the green group this week to appeal Thoroughbred's air permit to the Kentucky Division of Air Quality. Be surprised if various green groups don't also try to appeal to the media in any way possible.

Neither appeal will surprise Peabody, which has significant local support for the proposed power plant, which would accompany a mine-mouth plant.

News Stream, 11/11/02

ENVIRONMENTAL GROUP MAY CHALLENGE PEABODY PLANT PERMIT

LOUISVILLE., KY - - - The Natural Resources Defense Council plans to appeal a proposed state permit for Peabody Energy's Thoroughbred Generating Station in Muhlenberg County, Ky.

Peabody's environmental impact analysis of the proposed Thoroughbred Generating Station in Muhlenberg County was that it would not add to already hazy skies at Mammoth Cave. The New York-based Natural Resources Defense Council has pushed for strict requirements to ensure that the coal-fired plant is as environmentally clean as possible.

Kentucky regulators last month issued a proposed final air-quality permit for the plant -- two 750-megawatt generating units fueled by up to 6 million tons of Kentucky coal per year. The electricity will be sold throughout the region. (Combined news reports)

November 10, 2002



Home	News	Sports	Today's Living	Obituaries	Home Delivery	Contact Us	About Us
		ocal New	s – Kentucky Ne	ws Busines	ss Copinion Le	tters School	8
Searc	h The Dai	ly Indepe	endent >>>		Searon		
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Kentucky

Documents show high-level involvement in power plant reversal

Group to appeal proposed state permit

LOUISVILLE (AP) — The Natural Resources Defense Council has obtained documents showing high-level involvement in a decision involving a proposed power plant near Mammoth Cave National Park, and a council lawyer said the organization intends to appeal a proposed state permit.

Deputy Interior Secretary J. Steven Griles and National Park Service Director Fran P. Mainella were personally involved in deliberations that led the U.S. Interior Department to accept Peabody Energy's analysis of the plant's effect on the park, according to the documents.

Peabody's analysis said its Thoroughbred Generating Station in Muhlenberg County would not add to already hazy skies at Mammoth Cave.

After Griles and Mainella became involved, the park service reversed its finding that the plant would dirty the air, the documents show.

The New York-based Natural Resources Defense Council has pushed for strict requirements to ensure that the coal-fired plant is as environmentally clean as possible. The organization obtained the documents, which include e-mail messages and other correspondence, through a Freedom of Information Act request and released them.

The documents show that the White House Task Force on Energy Streamlining, which is charged with helping hasten completion of energy-related permits, used a questionnaire at one point to check on where the National Park Service stood on the Peabody decision.

David McIntosh, an attorney for the Natural Resources Defense Council, said the documents also show park service chief Mainella pressured her staff to compromise with Peabody. Mainella "ordered career officials at the park service to ... back down from the fact-based finding they had made and reach a compromise with the company," McIntosh said.

Peabody spokesman Vic Svec acknowledged through e-mail that company officials met with "dozens of individuals and groups in state and federal government agencies (and) community groups" to explain the project. "We were pleased that opposition was withdrawn, and we believe that this was appropriate given the higher environmental performance that we are able to offer."

Kentucky regulators last month issued a proposed final air-quality permit for the plant — two 750-megawatt generating units fueled by up to 6 million tons of Kentucky coal per year. The electricity will be sold throughout the region.

The Natural Resources Defense Council intends to appeal the permit Tuesday to the Kentucky Division for Air Quality, McIntosh said. That's the final day for citizen challenges to the permit.

The park service referred all questions about the matter to Christine Shaver, chief of the agency's air resources division, who acknowledged that Mainella had encouraged her staff to find a "winwin" solution in the Peabody case.

Shaver said Mainella's involvement was not unusual, but acknowledged that involvement from the White House and from the second in command at the Interior Department was.

But she said the result was a greater effort to reach a compromise between park service experts and Peabody officials in their dispute over how the plant would affect air quality.

St. Louis-based Peabody says the Thoroughbred plant, to be built on reclaimed strip-mine land, will create 2,500 temporary construction jobs and 450 permanent jobs and inject \$100 million annually into Kentucky's economy. It could begin generating power in 2007.

While the high-level involvement — particularly by the White House task force — in the case made some park service officials uncomfortable, Shaver said, the result was that Peabody was more forthcoming with technical information needed to prove its case.

Shaver added that the original park service finding last February that analyzed a proposed limit on sulfur dioxide emissions based on 30 days of monitoring turned out to be technically flawed because of incorrect meteorological data — a fact Peabody was able to demonstrate.

When called for comment on its role in the matter, the White House would not comment for attribution.

Many western Kentucky residents, however, welcome the White House involvement, said Central City administrator David Rhoades.

"The main issue is bringing jobs to (Muhlenberg) county and surrounding counties," he said. "Any time you get help from Washington, that's a definite plus."

Smog and haze are special concerns at Mammoth Cave. Two studies released in September — one by the park service and the other by the National Parks Conservation Association — concluded that visibility at the 53,000-acre Mammoth Cave was the worst of any national park.

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Louisville Courier-Journal

Louisville, KY Tuesday, November 12, 2002 A-7

Hear no energy evil

HE intervention by top political appointees on behalf of Peabody Energy's proposed power plant in Muhlenberg County should remove any doubt about the Bush administration's eagerness to back away from the letter and spirit of clean-air laws.

For if any project deserves strict review, on both legal and practical grounds, the proposed Thoroughbred Generat-

ing Station is it.

Designed to burn 6 million tons of coal a year, the plant will be near enough to harm one of the nation's premier natural treasures, Mammoth Cave National Park. Thus, under provisions of the Clean Air Act designed to protect such gems, the plant must undergo tough scrutiny of its probable impact.

This is no abstract issue for Kentucky. The park already suffers some of the worst haze of any national park (and that's saying something), and the experience of Mammoth Cave visitors has direct economic repercussions for the state's tourist industry.

Peabody says Thoroughbred will be thoroughly modern and the cleanest major plant east of

the Mississippi. Even so, the National Park Service's required review determined that the emissions would have an "adverse impact" on the park's air. The service recommended that Peabody take more steps to reduce emissions.

This legally justified and environmentally warranted conclusion, however, set off alarms all over Washington, claiming the personal atten-tion of not only the park service's director but the Interior Department's No. 2 official and the White House Task

Force on Energy Streamlining.
The result? The initial finding has been reversed, the approval process is rolling on. and the only change is that Peabody has agreed to take a look at tighter emissions caps after two years of operations.

The administration is calling this a "win-win" solution, apparently viewing itself and Peabody as the key players and not the citizens who must endure the park's already

The Natural Resources Defense Council, the environmental group that uncovered all the high-level maneuvering, intends to challenge this stunted view of victory. Good for it.

LETTERS TO THE COURIER & PRESS

Demos have lost ideology

To the editor:

Activist Ralph Nader was blamed for the Democrats' defeat two years ago. But had Al Gore been a true man of principle, he could have received nearly every one of Nader's votes.

The Democrats have no one but themselves to blame for Tuesday's dismal showing.

What principles did the Democrats offer this time around? Health care was an issue, but health was not. And the environment is never spoken of loudly, even though polls show huge support for better environmental controls and prevention.

Most Democrats have forsaken environmentalism as well as their own heritage of compassion and justice. That is why people don't vote for them.

I long for principled politicians, people who will stand up and sometimes flex their muscles and pound their chests when they encounter injustice.

It is not radical to be fighting-mad about so many kids with cancer. It is not radical to shout disgust that one in eight women get breast cancer. It is not radical to demand that arsenic and mercury be cleansed from our water. It is not radical to have an opinion.

Democrats and Republicans alike look askance at notions of justice and personal freedom and of peace and sustainabili-

It is too radical for them to create an energy-efficient hydrogen economy that presents more economic opportunity than all the fossil fuels together, but it is not radical for them to socialize risk while privatiz-

ing profit.

It is too radical to demand corporate accountability and responsibility, but it is not radical for them to heap subsidies on Peabody Coal Co. and Vectren Corp. and all the others at the corporate feedbag.

Democrats lose because they have relinquished their ideological base.

Republicans win because they thirst for more of everything, and we all know that greed is good in 2002.

John Blair Evaneville Lexington Herald-Leader Lexington, KY Sunday, November 10, 2002

U.S. officials prompted power plant seesawing

PARK SERVICE SPOKE UP; RULING WAS REVERSED

ASSOCIATED PRESS

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After Griles and Mainella became involved, the park service reversed its finding that the plant would dirty the air, the documents show

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Kentucky regulators last month issued a proposed final air-quality permit for the plant — two 750-megawatt generating units fueled by up to 6 million tons of Kentucky coal per year. The electricity will be sold throughout the region.

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The park service referred all questions about the matter to Christine Shaver, chief of the agency's air resources division, who acknowledged that Mainella had encouraged her staff to find a "win-win" solution in the Peabody case.

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Peabody spokesman Vic Svec acknowledged through e-mail that company officials met with "dozens of individuals and groups in state and federal government agencies (and) community groups" to explain the project. "We were pleased that opposition was withdrawn, and we believe that this was appropriate given the higher environmental performance that we are able to offer."

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November 9, 2002

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Amhof Trucking

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The park service referred all questions about the matter to Christine Shaver, chief of the agency's air resources division, who acknowledged that Mainella had encouraged her staff to find a "win-win" solution in the Peabody case.

Shaver said Mainella's involvement was not unusual, but acknowledged that involvement from the White House and from the second in command at the Interior Department was.

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Louisville Courier-Journal Louisville, KY

Saturday, November 9, 2002 Front Page

Power plant finding changed after intervention

Park agency dropped claim facility would pollute air near cave

> By JAMES BRUGGERS jbruggere@courler-journal.com The Courier-Journal

The National Park Service's reversal of its finding that a proposed power plant near Mammoth Cave National Park would dirty the air came after an unusual high-level in-

volvement from the Bush administration, according to documents re-leased this week by plant oppo-

The documents, which include e-mail messages and other correspon-dence, show that Deputy Interior Secretary J. Steven Griles, and Na-tional Park Service Director Fran P. Mainella were personally involved in deliberations that led the U.S. In-terior Department to accept Peabody Energy's analysis that its Thoroughbred Generating Station in Muhlenberg County would not add to already hazy skies at the national park.

An earlier park service determination, also based on Peabody analysis, had found the opposite.

Lawyers for the Natural Resources Defense Council, which has pushed for strict requirements to ensure that the coal-fired power plant is as environmentally clean as possible, obtained the documents through a Freedom of Information

Act request.
The documents show that the White House Task Force on Energy Streamlining, which is charged with

See OFFICIALS Page 5, col. 4, this section



BY STEVE DURBIN, THE CAJ

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Deputy Interior Secretary J. Steven Griles met with an unnamed Peabody Energy representative, then asked for an update on the power plant

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"The main issue is bringing jobs to (Muhlenberg) county and surrounding counties," he said. "Any time you get help from Washington, that's a definite plus."

And company officials say the plant's pollution controls will make it one of the cleanest major coal-fueled plants east of the Mississippi River.

But that's not clean enough for environmental groups, which have pushed for even more emission controls to reduce smog and soot.

Under the Clean Air Act, many national parks — including Mammoth Cave — are supposed to have the cleanest air in the country. The act

Cave — are supposed to have the cleanest air in the country. The act gives the park service and other agencies, notably the U.S. Environmental Protection Agency, the right to consult with the company to be certain the power plant will follow all federal environmental laws.

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Smog and haze are special concerns at Mammoth Cave. Two studies released in September — one by the park service and the other by the National Parks Conservation Association — concluded that visibility at the 53,000-acre Mammoth Cave was the worst of any national park.

Shaver said she hopes the plant will not make visibility worse at the park.

Park service officials still maintain, however, that computer models show

Park service officials still maintain, however, that computer models show the plant's proposed limit on emissions released in any 24-hour period is too lax to prevent additional haze. So an Aug. 22 compromise atipulates that the plant operate for two years under that emission cap—and in return, Peabody agreed to a potential tightening of those limits after two



National Park Service Director Fran P. Mainella pressured her staff to compromise with Peabody, an envir-onmental group official save.

years.
"In the end, we ended up in a place that was win-win," Shaver said.
Copies of correspondence obtained by the Natural Resources Defense oy the Matural Resources Detense Council, however, illustrate that as late as August, park service officials wanted Peabody to take additional steps to reduce emissions, such as

washing coal before burning it.
Peabody spokeswoman Beth Sutton
said coal washing reduces sulfur dioxide but can cause other environ-

mental problems.

And Shaver said the park service involvement with Thoroughbred cut the plant's proposed overall emissions in half and that most park officials re satisfied.

Mammoth Cave officials declined

Mammoth Cave officials declined to comment.
The documents also show that:

Griles, second in command at the Interior Department and a former coal and energy lobbyist, met with an unnamed Peabody representative on Sept. 7, 2001, and that Griles subsequently wrote a memo to Mainella, asking for an update on the Peabody case.

case.
Interior Department spokesman
John Wright said Griles helped the
"two sides" come together and say,
"Let's work it out."
"Did he have any influence on this
decision? No, he did not," Wright

Last year, Mammoth Cave park Superintendent Ron Switzer forwarded a Dec. 3, 2001, e-mail from a U.S. ed a Dec. 3, 2001, e-mail from a U.S. Department of Energy official to three other park service employees, and included his comment atop: "Looks like Peabody is putting more fuel on the fire at the White House. Any advice about a conference call or do you want me to brave this one alone?"

The government removed the energy official's original e-mail.

A park service memo summarizing an Aug. 8, 2002, meeting involvements and the service memo summarizing an Aug. 8, 2002, meeting involvements.

ing an Aug. 8, 2002, meeting involving Mainella; park service officials and Peabody officials said "Peabody's purpose" was "to get Fran (Mainella) to retract the adverse impact finding." It went on to say, "Fran made it very clear that we need to work together to resolve this issue; she does

not want to follow through with keep-ing the adverse impact finding."

NOVEMBER 2002

MINING MAGAZINE

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NOVEMBER 2002

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Peabody's 3535 Thoroughbred progresses

In the US, the state of Kentucky has issued an air permit for Peabody
Coal's Thoroughbred Energy
Campus, a planned 1,500 MW coalfired power plant in Muhlenberg
County in the west of the state.
Thoroughbred has been designed with advanced environmental controls and will be among the cleanest major coal-fuelled plants east of the Mississippi River. Peabody expects it to start generating power in 2007.

Peabody has said that the plant's emissions will be "far lower than current Clean Air Act standards, with sulphur dioxide and nitrogen oxide emissions that will be 86% and 84% below the current Kentucky coal plant average, respectively." Thoroughbred will have two 750 MW generating units that will burn up to 6 Mt/y of coal, mined from an adjacent Peabody mine.

SKILLINGS MINING REVIEW

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NOVEMBER 2002

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Kentucky Issues Permit for Peabody's Thoroughbred Coal-Fueled Plant

<u>Peabody Energy,</u> St. Louis, reports that the Commonwealth of Kentucky

has issued an air permit for the Thoroughbred Energy campus, a planned 1,500 mw coal-fueled electric generating station in Muhlenberg County. Upon completion, the Thoroughbred will provide low-cost, low-emissions electricity in the Southeast and Midwest regions. It is expected to be among the cleanest major coal-fueled plants east of the Mississippi and will provide electricity for about 1.5 million families.

The Thoroughbred Energy Campus will include two 750 mw generating units fueled by 6 million tons of coal per year produced from an adjacent mine. The project team is currently marketing the power for future delivery to utilities and industrial customers throughout the region. Depending on when long-term customers and partners are signed up, Thoroughbred could begin generating power in 2007, the company predicts.

NOVEMBER 20, 2002

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draham interchange plans By RITA DUKES FRONT PAGE rolling on Leader-News Editor

GRAHAM — Access to the Western Kentucky Parkway from the rural area of Graham is no longer a pipe dream. The state Department of Transportation expects to award a bid for the project by Dec. 13.

Plans for the construction. have been approved and the completion target date is set for the middle of November 2003. The overall price tag for the project is more than \$5 million including property acquisition, development and de-

Kevin McClearn, Kentucky Division of Highways District. 2 engineer in Madisonville, said the interchange will provide entry and exit from the parkway onto Kentucky 175.

"We're taking bids now," said McClearn regarding construction contractors. "We've been working toward this goal for a couple of years and, yes, it is going to happen."

McClearn said the consultant group of Parsons. Brinckerhoff, Quade and Douglas of Lexington has worked diligently to get the project to this stage. A public meeting held in April at Graham Elementary School was held with mostly positive public comment.

"This will open a new area up for the parkway," said McClearn. "This is an area that couldn't be accessed before."

State Rep. Brent Youts of Greenville said the project has

been on the six-year road plan with Gov. Paul Patton being a driving force for its approval.

"I've met with the governor a number of times and I've lobbied him for it," said Yonts, "This is something that has been needed for a number of years and I made it part of my campaign in 1996."

Yonts said the interchange

will provide easier access for emergency vehicles and personnel into the rural Graham area. But its importance to the economic growth of the county is significant, he said.

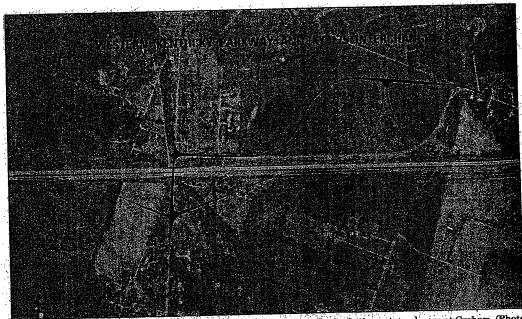
'It should spawn business growth in that area," said Yonts. "Not only for possible gas stations or restaurants, but also for the Regional Indus-

trial Park which will be right there."

Yonts said the on/off ramp should also provide incentives for the Ensign-Bickford plant to possibly expand its Graham operations site.

There are only three regional industrial parks in western Kentucky — one in Ohio County which recently landed the Daicel Safety Systems America manufacturers, one in Henderson County and one in Muhlenberg.

These three parks will focus on recruiting industries which might possibly support the power plant when it's built," Yonts said regarding the proposed Thoroughbred Energy Campus.



The above arief overlay shows the intended route for the Western Kentucky Parkway interchange at Graham. (Photo courtesy of Steve Slade of Parsons, Brinckerhoff, Quade & Douglas of Lexington)

TIMES-ARGUS

CENTRAL CITY, KY WEEKLY 3,000 NOV 20 2002



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Permit for Peabody power plant is being challenged

A group of environmentalists are trying to block plansoder Peabody so proposed. Thoroughbrod Energy Plant just east of Central City.

Last week, environmentalists filed an appeal of the permit given to Peabody on Oct. 11 to build the coal-fired plant.

John Blair, founder of the Evansville-based Valley Watch Inc. that is one of the five litigants, said the state Division for Air Quality failed to follow the Clean Air Act in granting the permit.

Among other things, there was no downwind analysis for ozone and no pre-construction monitoring of the current air quality levels in the area of the proposed site, Blair said. He added his belief that political influence was used to get the state to quickly grant the permit.

Other parties to the appeal include: the Sierra Club, environmental attorneys Hank Graddy of Midway and Leslie Barras of Louisville, Hilary Lambert of Fayette County, conservation chairman of the Bluegrass Group, and Roger Brucker, an Ohio author and explorer of Mammoth Cave.

They sent the appeal to the Office of Administrative Hearings in the Cabinet for Natural Resources and Environmental Protection, which includes the air quality division.

The process will be similar to a civil case.

Peabody will be given a chance to respond; discovery, such as depositions, will take place, and conferences will be scheduled, according to a spokesman for the cabinet.

The matter could be sent to arbitration or there could be a settlement reached prior to the hearing.

The hearing officer from the administrative office, which is independent of the cabinet, would hear testimony and review evidence before issuing a recommendation to the cabinet.

The hearing officer's decision can be appealed by either side to Franklin Circuit Court.

A Peabody spokesman said the appeals will take six to nine months. But the appeal is not expected to delay the schedule for the plant, which is now expected to start transmission in 2007 or 2008.

Peabody officials predicted a mid-2005 startup when announcing the project early last year.

The power plant would provide several hundred high-paying jobs for Muhlenberg County, which had an unemployment rate of 8.1 percent in October, the ninth worst in Kentucky.

The actual startup has been impacted by Peabody's search for a partner to run the plant, it's four-year construction process, marketing the energy to potential customers and disruptions in the energy market.

DECEMBER 2002

Peabody's Thoroughbred Campus

By: Bill Reid

"Mine-Mouth Generation" was the title of the presentation given by Jacob Williams, Vice President, Generation Development, Peabody Energy to the 27th KY Mineral Law Conference held recently at the Marriott Griffin Gate Resort, Lexington, KY and sponsored by the Energy and Mineral Law Foundation and the University of Kentucky Mineral Law Center.

The meeting is held annually and the coal session is a joint meeting between the KY Mineral Law Conference and the KY Coal Association.

'Coal is the most abundant, lowest cost fuel source averaging just one-half of the variable cost of gas-based power," said Williams. "Energy costs are important to low income Americans who pay a large amount of discretionary income for energy." During the energy crisis of 2000, middle-income families spent nearly 5% of their income on energy while lowincome families spent nearly 20% according to a recent study. Natural gas prices climbed an average of 42% over the prior winter's prices and heating oil prices were 36% higher.

According to U.S. Bureau of Labor Statistics, 42% of American families earn 25,000 or less and 38 million are senior citizens with over 35 million minorities. Low cost energy from coal will continue to be a cornerstone of the nation's energy future benefiting America's hard working families.

According to Williams, there is a growing need for base load generation. There has been a load growth of more than 60% in the last 20 years with little new base load resources added. Nuclear generation capacity is reaching its output limit. In 1990, it was 66% capacity factor and in 2001, 90% capacity factor. Coal generation capacity is becoming fully utilized. In 1990, it was 59% capacity factor; in 2001, 69% capacity factor. Some 90% of the new capacity added since 1990 was gas but 72% of the increased electric demand was met by coal and nuclear. The weighted average age of coal units is 30 plus years. There is an expected load growth of 20% over the next 10 years and an increased need for energy security in the U.S.

KY energy prices are based

on inexpensive coal and 15% of KY's electricity generation is exported. KY does not require additional base load power for KY needs. The KY coal industry is in decline, with production in the east in 1990 being 128.4 million tons and in 2001 108.0 million tons. Weştern KY 1990 production was 44.9 million tons and in 2001 it was 25.0 million tons. Exported KY coal is 37% above the U.S. average of \$1.21/MM Btu as delivery makes KY coal costly to other states.

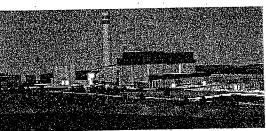
Eastern KY coal faces multiple challenges with cost pressures, environmental laws, thinner seams, reliance on rail markets and more expensive bonding requirements. This has resulted in the market shrinking as PRB and other low sulfur coals are not facing similar cost pressures. Scrubber additions will open some eastern KY markets to competition from lower costs, higher sulfur coals. Gas overbuild in the southeast cap high costs coal plants further reducing demand for eastern Kentucky coal. The cost structure and small reserve blocks limits mine-mouth opportunities in eastern Kentucky.

Williams said that west KY. coal faces fewer market challenges. Lower Btu and higher sulfur will prohibit the market expansion outside the state of KY. Northern WV and PA raw coal with low cost structure may compete in the river markets. PRB with low sulfur and cost structure is also a threat but there are opportunities, Western KY. As scrubber additions benefit Western KY coal also the cost structure is low enough to support raw minemouth projects and the reserve blocks are in sufficient size to develop new projects. Minemouth generation offers a clear way to help offset the future decline. KY regulated plants burn only 21% or 27 million tons of the 131 million tons of coal mined in KY. Supplying existing plants may not offset losses from other states as full utilization of KY coal plants burning only instate coal would increase the demand by 5-7 million tons of Kentucky coal. Larger minemouth plants enjoy fuel costs of \$0.60-\$0.90/mm Btu. KY is a major exporter of autos, nuclear fuel, aluminum, steel, electronics, agriculture and processed food products and KY currently exports 15% of electricity gener-

ated in the state.

Peabody's Thoroughbred Energy Campus is a new state-

Thoroughbred dispatched costs will be less than \$10/MWh.



of-the-art low cost and low emissions coal plant.

- 1,500 mw coal-fueled plant with
 5.6 million ton onsite coal mine
 4,100 acre-site in western
 Kentucky near river, rail and
 highways
- Project costs estimated at \$2 billion plus dollars including mine and transmission
- Largest greenfield coal plant in 20 years
- Among the cleanest coal plants east of the Mississippi River
- Expected long-term employment of 450 for plant and mine and 1,500 for four-year construction
- Targeted to be online in 2007-

thus thoroughbred means low cost electricity lower than oil, gas, coal generated and compatible to nuclear units in cost. Thoroughbred uses the latest technologies and will removed 98% of H2SO4 and 80% Hg and 99.9% Particulate. Thoroughbred will remove 98% SO2 and more than 80% NOX. The Thoroughbred Projection of

proposal requirement of 2018.
According to KY Coal Facts, there is a \$24/ton direct impactand additional \$28/ton indirect impact on the KY economy for

SO2 and NOX emissions is way

under the U.S. average for 2001

and less than the Clear Skies

every mined ton of coal in 2001. This impact was \$6.84 billion including 56,219 jobs. The economically recoverable reserves of 19.8 billion tons of coal in western KY represents a potentially vast economic impact. Peabody estimates that one 1,500-mw plant or six million tons/year will generate \$4.4 billion in economic benefits to Kentucky in total dollars. To attract new coal generation, transmission must be upgraded to export, especially to the south. Peabody's \$2 billion announced investment in Thoroughbred represents 80% of all the investments announced January -August 2002. Thus, mine-mouth generation offers improvement to KY's economic future.

"Electricity from coal is essential, affordable and increasingly clean," Williams said. KY can reap large benefits by siting new coal generation to serve the south. In order to attract projects such as the Thoroughbred \$2 billion example, KY must support transmission upgrades. These efforts should seek to-distribute the costs of transmission upgrades across as large a pool as possible.

DECEMBER 15, 2002

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Previous Business From The Gleaner Sunday, Dec 15 Friday, Dec 13 Thursday, Dec 12 Tuesday, Dec 10

Teledifference in junk calls?

News

By Chuck Stinnett Gleaner Business Editor December 15, 2002



I don't know about your household, but at our house the number of telemarketing calls has dropped dramatically in recent months.

For that we can thank Kentucky's new no-call law that went into effect July 15. Under the law, most telemarketers are prohibited from calling folks who have placed their phone number on the state's no-call list.

Kentucky Attorney General Ben Chandler recently reported that 750,473 residential phone numbers in the state are now on the nocall list, representing almost 2 million Kentuckians -- about half the state's population. (It was Chandler who pushed for the no-call law, a point you can be sure he will remind us about during his upcoming run for governor.)

Not every telemarketer got (or took seriously) the message. More than 50 companies have so far paid \$320,000 in fines for calling numbers on the no-call list. Among the offenders: Long-distance telephone, satellite TV, debt consolidation, mortgage and loan companies, mostly from out of state.

Would you like the sound of your phone not ringing? You can sign up your phone number at www.kycall0.com or call toll-free (866) 592-2550. The state updates the no-call list four times a year. If you sign up before next Feb. 15, telemarketers are supposed to stop calling you by April 15.

Keep in mind that the no-call law doesn't prohibit all telemarketing. Among the exceptions: Charities soliciting donations, companies you've done business with (including those to whom you owe money) and organizations that you've expressly asked to call you.

If you want to file a complaint against a telemarketer for phoning a number on the no-call list, visit www.kycall0.com or call toll-free (866) 877-7867. You'll need to know the name and phone number of the telemarketing company.

Want dough? Get smart.

Think education doesn't pay? Consider this:

Oldham, Fayette, Boone and Woodford counties rank 1-02-03-4 in







Kentucky in the percentage of people age 25 or older who have at least a high school diploma. They also all rank in the top five in median family income, according to the 2000 Census.

Owsley and Clay counties, meanwhile, have the two lowest high school graduation rates. Guess which two counties have the lowest incomes? Owsley and Clay.

There is an uncanny relationship between the educational attainment of a community's citizens and their financial prosperity. Dig:

Henderson County ranks 18th in the state in graduation rates of adults (78.3 percent) and ranks 19th in median family income (\$44,703).

Union County ranks 25th in educational attainment (76.9 percent) and 25th in family income (\$43,103).

Webster County ranks 49th in education (70.9 percent) and 50th in income (\$38,208).

See a pattern here?

Construction outlook

Thanks to historically low interest rates, home construction should remain very strong in the United States in 2003, international accounting firm Grant Thornton is forecasting. (Low rates have also helped housing starts in Henderson County keep pace with last year's brisk construction rate.)

But factory, office and warehouse construction are all soft. The firm doesn't expect to see a pickup in factory construction until late in 2003. Demand for warehouses is diminished because so many firms rely on "just in time" delivery.

Of interest to friends and foes of the proposed Cash Creek power plant in eastern Henderson County and Peabody's Thoroughbred project in Muhlenberg County: "This sector has been hot for a number of years, but that is no longer the case. There seems to be an adequate amount of capacity, and while there are some plants being built, it is because they've been on the drawing boards for some time. There probably will not be any activity until late in 2003, or even 2004."

Material for the ages

The aluminum industry, so vital to the prosperity of the Henderson area (think Alcan, Alcoa, Gibbs Die Casting, KB Alloys, Hydro Aluminum, Audubon Metals, etc.), regularly emphasizes the metal's astonishing (and perhaps infinite) capability for being recycled.

Alcoa Executive Vice President John Pizzey rolled out a remarkable claim at the Aluminum Association annual meeting this fall. He declared that approximately two-thirds of all aluminum ever produced -- 440 million tons of 680 million tons manufactured since 1886 -- is still in use.

MORE STINNETT COLUMNS »

November 1, 2002



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World Wide Web Edition

Power Engineering (Tulsa, OK) - Print Circ 17,672

Date of Publication: 11/01/2002

Account Number: 3535

Headline: PEABODY GETS FINAL AIR PERMIT FOR KY.

Source Web Page:

http://pe.pennwellnet.com/News/Display_News_Story.cfm?Section=WireNews&SubSection=HOME&NewsID=68082

Coal Age (November 1, 2002)

Peabody Energy cleared a crucial regulatory hurdle in mid-October when the Kentucky Natural Resources and Environmental Protection Cabinet granted a final air permit for the company's proposed 1,500-megawatt (mw) Thoroughbred Energy Campus coal-fired power plant/coal mine project near Central City in Muhlenberg County. That's the good news.

The not-so-good news is that Peabody now expects the nearly \$2 billion project to be in commercial operation in 2007, about a year later than originally planned. Like many electric generating projects proposed for the United States during the past couple of years, Thoroughbred Energy now must secure long-term customers for most of its output before Peabody will begin construction.

"We'd seek to have a majority of the power sold before we move to groundbreaking," Vic Svec, spokesperson for the St. Louis-based company, told Coal Age. Peabody also continues to search for a joint venture partner that would operate the power plant and probably market its surplus power. Peabody had hoped an announcement about a joint venture partner would come by years' end, though that now appears unlikely.

Nevertheless, the company was pleased to get the final air permit. "We think this was a key milestone and we continue to make progress on the plant," Svec said.

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November 23, 2002

MyInKy: Letters To The Editors

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URL: http://www.myinky.com/ecp/letters_to_the_editors/article/0,1626,ECP_769_1563596,00.html

Letters to the Courier & Press

Plant will be positive addition

November 23, 2002

To the editor:

When the National Park Service withdrew its concerns about Peabody Energy proposed Thoroughbred Generating Station this fall, the decision followed a review of sound science.

Initial concerns about the plant's potential impacts to visibility at Mammoth Cave were based on flawed meteorological data that were corrected in an expanded analysis. In fact, additional modeling was conducted at the Park Service's request, and the new analysis showed that there were no days in nearly 1,100 modeled where the plant's emissions would have a significant impact on visibility at Mammoth Cave. This key scientific finding laid the foundation for the Park Service's decision.

Thoroughbred will be among the cleanest coal-fueled plants east of the Mississippi, and we believe the plant's emission controls will help establish Best Available Control Technology for pulverized coal plants.

Thoroughbred will also provide tremendous benefits to Kentucky and the region by providing low-cost, low-emissions 'ectricity for 1.5 million families, 450 permanent jobs and nearly \$100 million for Kentucky's economy each year.

The development of Thoroughbred has been a public process, and Peabody has met with dozens of groups, individuals and state and federal agencies to communicate project plans. We look forward to continuing this dialogue to advance a project that represents improved environmental performance, a stronger economy, greater national energy security and jobs and low-cost energy for Kentuckians.

Vic Svec

Vice President

Public and Investor Relations

Peabody Energy

St. Louis

MylnKy

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URL: http://www.myinky.com/ecp/gleaner_opinion/article/0,1626,ECP_4480_1563551,00.html

Letters to The Gleaner: Proposed power plant will be boon

November 23, 2002

Editor:

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Vorld Wide Web Edition

Evansville (IN) Courier & Press - Print Circ 74,000

Date of Publication: 11/23/2002

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Headline: Plant will be positive addition

Source Web Page:

http://www.myinky.com/ecp/letters_to_the_editors/article/0,1626,ECP_769_1563596.00.html

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Vic Svec Vice President, Public and Investor Relations, Peabody Energy St. Louis

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Norld Wide Web Edition

Gleaner (The) (Henderson, KY) - Print Circ 11,658

Date of Publication: 11/23/2002

Account Number: 3535

Headline: Plant will be positive addition

Source Web Page:

http://www.myinky.com/ecp/letters to the editors/article/0,1626,ECP_769_1563596.00.html

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LEXINGTON HERALD-LEADER

LEXINGTON, KY 130,000 THURSDAY NOV 14 2002

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Power-plant permit draws appeal

ENVIRONMENTALISTS CITE CONCERNS

ASSOCIATED PRESS

OVER CLEAN-AIR ACT

FRANKFORT - The Sierra Club and Indiana-based environmental group Valley Watch have appealed an air-quality permit the state gave Peabody Energy for a coal-fired power plant in Muhlenberg County.

Three individuals also joined the appeal filed Tuesday with the state Natural Resources Cabinet's Office of Administrative Hearings.

"This is a case that needs to be brought," said Midway environmental attorney W. Henry

Graddy IV, who is active in Sierra Club circles and who filed the appeal. Graddy said the state failed to ensure that Peabody's planned Thoroughbred Generating Station in Central City will meet the requirements of the federal Clean Air Act.

John Blair, who leads Valley Watch, based in Evansville, Ind., contends that the company's computer modeling of air quality is faulty. "The whole permit was based on manipulated figures that have no meaning in the real world," he said.

The Kentucky Division Air Quality, which is pa Natural Resources issued the pre-constru permit on Oct. 11. spokesman Mark York sa could not comment on the peal because he had not seen He said, however, that the cabinet will defend its decision to grant the permit.

An air permit is one of several approvals Peabody needs before it can begin construction, and it is considered among the larger hurdles for St. Louisbased Peabody becar state's air-quality

Peabody sp Sutton sa had no con!

MESSENGER

MADISONVILLE, KY THURSDAY 8.704 NOV 14 2002

Burrelle's

Permit for Muhlenberg power plant appealed

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John Blair, who leads Valley Watch, based in Evansville, contend that the company's computer modeling of air quality is faulty. "The whole permit was based on manipulated figures that have no meaning in the real world," he said.

The Kentucky Division for Air Quality, which is part of the aral Resources Cabinet, issued the pre-construction air permit or

net spokesman Mark York said he could not comment on the cause he had not seen it. 3535

GLEANER

HENDERSON, KY 11,658 THURSDAY NOV 14 2002

Burrelle's

Power plant approval appealed 3535

FRANKFORT (AP) - The Sierra Club and Indiana-based environmental group Valley Watch have appealed an air-quality permit the state gave Peabody Energy for a coal-fired power plant in Muhlenberg County.

Three individuals also joined the appeal filed Tuesday with the state Natural Resources Cabinet's Office of Administrative Hear-

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The Kentucky Division for Air Quality, which is part of the Natural Resources Cabinet, issued the pre-construction air permit on Oct. 11.

Cabinet spokesman Mark York said he could not comment on the appeal because he had not seen it. He said, however, that the cabinet will defend its decision to grant the permit.

PADUCAH SUN

THURSDAY 30.008 NOV 14 2002

Power plant permit appealed

FRANKFORT, Ky. 35 35

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An air permit is one of several approvals that Peabody needs before it can begin construction, and it is considered among the larger hurdles for St. Louis-based Peabody because of the state's air-quality concerns.

Air-quality permit for Muhlenberg power plant appealed

RICHMOND REGISTER

RICHMOND, WEDNESDAY . NOV 13 2002

Burrelle's

FRANKFORT (AP) - The Sierra Club and Indiana-based environmental group Valley Watch have appealed an air-quality permit the state gave Peabody Energy for a coal-fired power plant in Muhlenberg County.

Three individuals also joined the appeal filed Tuesday with the state Natural Resources Cabinet's Office of Administrative

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An air permit is one of several approvals that Peabody needs before it can begin construction, and it is considered among the larger hurdles for St. Louis-based Peabody because of the state's air-quality concerns.

spokeswoman Peabody Beth Sutton said late Tuesday she had not seen the appeal and could not comment on it. But she said the plant "offers a suite of advanced controls to protect the environment and will fully comply" with air-quality regulations.

The Natural R

Defense Council, a N based environment that had promised to appeal, backed out for one of its lawyers do only as "strategic."

Kentucky and India ronmentalists said tha the imminent Repu majority in the U.S. along with GOP control

U.S. House and the presidency, the defense council decided to focus its legal efforts on lobbying.

"It was a setback" when the defense council said it wouldn't participate in the appeal, Blair said. He fears the proposed Muhlenberg County plant will pollute the air on both sides of the Ohio River.

But the national Sierra Club subsequently decided to assist its Kentucky state Cumberland chapter and the Indiana organization, Graddy

The appeal is largely on technical grounds. For example, it says the state failed to require Peabody to use all of the "best available (pollution) technology" control required by the Clean Air Act.

One example, Graddy said, is that the state is not forcing the company to wash its coal before burning it - a step to reduce sulfur dioxide emissions. That is performed at the TVA Paradise plant in nearby Drakesboro.

Sutton said last week that

oxides and 10,948 tons of sulfur dioxide.

The Natural Resources cabinet failed to fully study how these pollutants might affect health and the environment, the appeal alleges.

DAILY INDEPENDENT

ASHLAND, KY WEDNESDAY 20.118 NOV 13 2002

Air-quality permit for Peabody Energy's power plant appealed

Sierra Club and Indianabased environmental group Valley Watch have appealed an air-quality permit the state gave Peabody Energy for a coal-fired power plant in

Muhlenberg County.
Three individuals joined the appeal filed Tues-day with the state Natural Resources Cabinet's Office of Administrative Hearings.

"This is a case that needs to be brought," said Midway environmental attorney W. Henry Graddy IV, who is active in Sierra Club circles and

who filed the appeal. Graddy said the state failed to ensure that Peabody's planned Thoroughbred Generating Station in Central City will meet the requirements of the federal Clean Air Act.

John Blair, who leads Valley Watch, based in Evansville, contends that the company's computer modeling of air quality is faulty. "The whole permit was based on manipulated figures that

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An air permit is one of several approvals that Peabody needs before it can begin construction, and it is considered among the larger hurdles for St. Louis-based Peabody because of the state's air-quality concerns.

3. Political/Public Relations

3.1 Newspaper Articles and TV News Dialogue

Document Index

Registration Statement	
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Thoroughbred Amendment to SEC Form S-1 Registration Statement	Clotha accommodation and a recognition
3.1.1	2.20

February 5-8, 2001 Newspaper Articles/News Dialogue February 4, 2001 Newspaper Article

February 9, 2001 Newspaper Article 3.1.4

February 10, 2001 Newspaper Article 3.1.5

February 12, 2001 Newspaper Articles, News Dialogues and News Releases 3.1.6

February 13, 2001 Newspaper Articles, News Dialogues and News Releases February 14, 2001 Newspaper Article 3.1.7

3.1.8

3.1.9

February 15, 2001 Newspaper Article February 19, 2001 Newspaper Article 3.1.10

February 21, 2001 Newspaper Article 3.1.11

March 2001 Coal Age Article 3.1.12

April 2001 Newspaper Articles 3.1.13

September 2001 Newspaper Articles August 2001 Newspaper Articles 3.1.14

October 2001 Newspaper Articles 3.1.15 3.1.16

November 2001 Newspaper Articles December 2001 Newspaper Articles 3.1.17

lanuary 2002 Newspaper Articles 3.1.18 3.1.19

ebruary 2002 Newspaper Articles 3.1.20

March 2002 Newspaper Articles 3.1.21

April 2002 Newspaper Articles 3.1.22

June 2002 Newspaper Articles May 2002 Newspaper Articles 3.1.23

July 2002 Newspaper Articles 3.1.25

September 2002 Newspaper Articles August 2002 Newspaper Articles

As filed with the Securities and Exchange Commission

On

March 23, 2001

Amendment No. 1

To

Form S-1

Registration Statement

Under the Securities Act of 1933

P&L Coal Holdings Corporation

Thoroughbred Energy Campus

On February 28, 2001, we filed an application with the State of Kentucky for an air permit relating to a proposed coal-based electricity generation project in western Kentucky. This project, the Thoroughbred Energy Campus, will be located near Central City in Muhlenberg County. The proposed project would consist of a six million ton per year underground coal mine that will fuel a 1,500 megawatt generating plant constructed on approximately 4,500 acres of property controlled by us. The generating station is being designed to comply with all applicable state and federal regulatory emissions limits. The Thoroughbred project is currently in a design development stage. We are engaged in discussions with several prospective partners regarding the scope and structure of the project, but no definitive agreements have been entered into. We currently intend to manage the initial permitting required for the project and related mine operations and are seeking a partner that would manage plant construction, operation and power marketing.

Our principal executive offices are located at 701 Market Street, St. Louis, Missouri 63101-1826, telephone (314) 342-3400.

February 4, 2001

Power plant coming, sources say

Coal-burning facility may create 600 jobs

By David Blackburn Messenger-Inquirer

FRONT PAGE

CENTRAL CITY — Peabody Coal Co. is expected to announce in the next two weeks plans to build a coal-burning power plant on the Green River east of the city, creating approximately 600 jobs.

creating approximately 600 jobs. Kenny Allen, general manager of Peabody's office near Graham, and Vic

Svec, Peabody's corporate vice president of public relations in St. Louis, would not confirm details about the proposed plant.

Svec would say only that the company is looking at its properties in western Kentucky and other parts of the country on which to build a coal-powered plant.

"No firm decisions have been made," Svec said.

But several Muhlenberg County officials and community leaders, who spoke only on condition of anonymity, confirmed that the proposed plant is almost a done deal and will be announced by midmonth.

The proposed plant will take about three years to build and will be located on the old Gibraltar Coal Co. land, now owned by Peabody, the sources said.

It would burn the high-sulphur coal found underground there using new technology that would help the plant stay within state and federal pollution regulations, the

sources said.

The water used in the plant's cooling towers would be brought in from the Green River on one side of the city and discharged on the other side, the sources said.

State Rep. Brent Yonts, D-Greenville, who confirmed that an announcement of a local plant was imminent but declined to say who would build it, said the power generated by the plant would probably be sold to the national grid of electrical plants and distributors.

The power could then be sold to other

areas, especially California, which is facing an energy shortage Vonts said

an energy shortage, Yonts said.

Tom Dorman, the executive director of the Kentucky Public Service Commission that oversees the state's utilities, said his office will not oversee the plant because ilkely will be a "merchant plant," which supplies power on wholesale market on the grid and not to local customers.

A 2,000-megawatt coal-powered plant near the city is on a list of proposed powergenerating facilities, said Don Newell, a superintendent within the state Cabinet for Natural Resources and Environmental Protection's Division of Air Quality.

Other sources said the plant would actually produce closer to 1,500 megawatts, which could power about 1 million homes.

Muhlenberg County has the resources to produce the power cheaply, Yonts said of the supply of labor and underground coal, the nearby river and the amount of available space for the plant.

This would revitalize (the coal) industry," Yonts said. It will create union jobs for pipefitters, carpenters, equipment operators, boilermakers, drivers and masons, as well as miners, he said.

A plant creating that many jobs "would be a major impact on this area," County Judge-Executive Redney Kirtley said of the nine-county western Kentucky coal fields area. "It would probably be the biggest impact in the last 20 years."

The biggest boost would be in the number of jobs created, said Kirtley, who entered office in 1993 when the county's average unemployment rate of 9.8 percent included many coal miners.

The county's rate has always remained two to three points above the national average while steadily falling from 11 percent in 1991 to 5.4 percent this past December.

"You're not going to have a boost unless you have the infrastructure in place," said Central City Mayor Hugh Sweatt Jr., citing good roads and housing.

If they are not there, "All you're going to get is the traffic, and somebody else will get them" and their tax dollars he said

tax dollars, he said.
"We're probably ahead of a lot of cities our size," Sweatt said of Central City's infrastructure.

The waste-water treatment plant is relatively new; the Green River is a consistently large source of water, and the Wendell H. Ford Western Kentucky Parkway and U.S. 431, which is being targeted for renovation, provide adequate transportation Sweet said

tion, Sweatt said.
Yonts, who is pushing for the renovation work with state Sen. Dick Adams, D-Madisonville, was a co-sponsor of two coal bills passed by the 2000 General Assembly that he thinks played a part in luring the plant to Michlenber Courted.

by the 2000 counts, the plant to Muhlenberg County.

One bill offers a \$2-per-ton tax credit on Kentucky coal burned in a state electrical plant. The other offers tax credits for construction of new coal-burning plants.

"I think these two bills have had a part in stimulating this plant," said Yonts, who noted he heard about the plant in December. "These two bills were aimed specifically for economic development in the coal region."

David Blackburn, (270) 338-6580, dblackburn@messenger-Inquirer.com

MESSENGER-INQUIRER

OWENSBORO, KY
SUNDAY 35,189
FEB 4 2001

February 5-8, 2001

DATE

February 5, 2001

TIME

6:00-6:30 PM

STATION

WFIE-TV (NBC) Channel Fourteen

LOCATION

Evansville, Ind.

PROGRAM

14 WFIE Newswatch at 6:00

Ann Komis, co-anchor:

Central City, Kentucky, leaders are hoping their city will be chosen for a new coal-burning power plant, a plant that could bring six hundred new jobs to the Muhlenberg County where for generations coal has fueled the economy (clips shown of Peabody Coal Company sign and Gibraltar Complex). If it comes, this power plant would be built on Peabody Coal land just outside of town.

45,000

18,000

AUDIENCE

AUDIENCE

Mayor Hugh Sweatt, Jr. (Central City, Kentucky): ...that these would be longterm jobs which is something we haven't been used to in a long time in the coal industry down here.

Unidentified Man #1: Yeah. If this would come in, it would help out a bunch, that's for sure.

Unidentified Man #2: Sad. The coal miners have been out of work down here and if they bring this in here to help out with putting people to work.

Komis: A Peabody Coal Company spokesperson says, "We're reviewing a number of sites to build power plants on Peabody property, that includes a site in western Kentucky. We have no idea when an announcement could be made." (graphic of statement shown to include, BETH SUTTON, Peabody Coal Company).

DATE TIME February 6, 2001

5:00-7:00 AM

WFIE-TV (NBC) Channel Fourteen

STATION LOCATION

Evansville, Ind.

PROGRAM

14 WFIE Newswatch Sunrise

Dan Katz, co-anchor:

Several Central City, Kentucky, leaders are hoping their city will be chosen for a new coal-burning power plant, a plant that could bring six hundred new jobs to the Muhlenberg County community where for generations coal fueled the economy. If it comes, this power plant would be built on Peabody Coal land just outside of town. A Peabody Coal Company spokesperson says, "We're reviewing a number of sites to build power plants on Peabody property that includes a site in western Kentucky." They say they have no idea when an announcement will be made, however.

DATE

February 5, 2001

TIME

12:00 Noon-12:30 PM

STATION

WEVV-TV (CBS) Channel 44

LOCATION

Evansville, Ind.

PROGRAM

CBS 44 News Noon

Shannon Davidson, anchor:

A coal-burning power plant may be on its way to the tristate, bringing with it six hundred new jobs. CBS 44 News has an Eye On Muhlenberg County today. Peabody Coal Company is expected to announce plans for the new facility within the next two weeks. Officials say it would take three years to build the plant. The facility would be located on land already owned by Peabody in Central City. The repo—the proposed plant would burn (unintelligible) sulfur coal.

AUDIENCE

AUDIENCE

12,000

18,000

DATE

February 8, 2001

TIME

5:00-7:00 AM

STATION

WFIE-TV (NBC) Channel Fourteen

LOCATION

Evansville, Ind.

PROGRAM

14 WFIE Newswatch Sunrise

Dan Katz, co-anchor:

Peabody Coal is said to build a new power plant in western Kentucky. The Peabody Group is expected to announce construction plans of a coal-fired electric plant on its own land near Central City, Kentucky, in Muhlenberg County. County officials think a fifteen hundred to two thousand megawatt plant, which would incorporate new lean-coal technology, is to built on the company's Gibraltar mine property just east of Central City. An official announcement is expected to come on Monday.

"It's hard to say until you have all the facts and figures. Once those details are announced, an estimate can be made as to what economic impact such a plant would have on Muhlenberg County."

I.R. Wilhite

600 JOBS!

Peabody opening power plant

Announcement set for Monday, Feb. 12

The most important economic development announcement in Muhlenberg County in 42 years will take place at 9 a.m. Monday, Feb. 12 at the Career Advancement Center adjacent to the Senior Citizen's Center in Powderly.

Peabody Coal Company of St. Louis is expected to announce plans to build a coal-burning power plant on the Green River east of Central City. creating around 600 high-paying jobs.

The average hourly wage for union workers is \$24.

The plant will take about three years to build and will be located on the old Gibraltar Coal Company land, which was owned by Peabody.

A 2,000 megawatt coal-powered plant would burn the high-sulphur coal found underground in the county using new technology that would help the plant stay within state and federal pollution regulations.

The last announcement of this magnitude came in 1959, when the Tennessee Valley Authority announced plans to build the Paradise Steam Plant near Drakesboro. The TVA plant was completed

in 1963 and currently employs over 503 full-time workers and as many as 750 during construction work, maintenance outages, etc.

According to State Rep. Brent Yonts, D-Greenville, two coal bills he co-sponsored and that were passed by the 2000 General Assembly likely played a role in luring the new power plant to Muhlenberg County.

One bill offers a \$2 per ton tax credit on Kentucky coal burned in a state electrical plant. The other offers tax credits for construction of new coal burning plants.

The economic impact in Muhlenberg County would be in the tens of millions of dollars. However, the exact dollar amount is hard to determine.

"It's hard to say until you have all the facts and figures," said J.R. Wilhite, commissioner of community development of the Cabinet for Economic Development in Frankfort. "Once those details are announced, an estimate can be made as to what economic impact such a plant would have on Muhlenberg County."

The new plant would create jobs for pipefitters, carpenters, equipment operators, boilermakers, masons and miners.

Muhlenberg County's unemployment rate in December was 5.4 percent.

News conference set to announce Peabody Coal Co. building plans

POWDERLY — A news conference is scheduled for 9 a.m. Monday to announce <u>Peabody Coal</u> Co.'s plans to build a new power plant near Central City.

U.S. Sen. Mitch McConnell, R-Louisville, and U.S. Rep. Ed Whitfield, R-Hopkinsville, are scheduled to be among the guests, according to their respective spokesmen.

Peabody public relations spokesmen declined to comment Tuesday afternoon on the announcement or company plans to build an electric plant, other than to say the compa-

ny is looking to build on land it owns around the country.

The Messenger-Inquirer has learned recently from various local sources that electrical site preparation work is being done on the old Gibraltar Coal Co. land on the Green River just east of Central City. The plant is expected to employ as many as 600, the sources said.

Monday's event will be conducted by Central City and county officials in the Muhlenberg County Career Advancement Center beside the Muhlenberg County Senior Citizens Center on the Kentucky 189 bypass.

TIMES-ARGUS

CENTRAL CITY, KY WEEKLY 3,000 FEB 7 2001

MESSENGER-INQUIRER

OWENSBORO, KY
WEDNESDAY 32,486
FEB 7 2001

ebruary 8, 2001

HENDERSON, KENTUCKY @

announcement expected soon new coal-burning power site

By JOHN LUCAS

Courier & Press staff

CENTRAL CITY, Ky. — The Peabody Group is expected to announce plans Monday for construction of a new coal-fired electric power plant on land it owns near Central City in Muhlenberg County.

Peabody has scheduled a meeting for "an announcement" there Monday morning. Among those

invited to attend are Kentucky U.S. Sen, Mitch McConnell, First District U.S. Rep. Ed Whitfield, a representative of Gov. Paul Patton's office and local government and business leaders.

Company spokespersons have declined to discuss what will be announced.

abody spokesperson Beth Sutton would say "We have been reviewing a number of sites round the country that would be well suited for power plants on Peabody property, including sites in

Litter lacking

A Western Kentucky power company is finding that poultry growers in this area may not have enough waste on hand to fuel a new way of making electricity

Story on Page A2

Western Kentucky,"

Muhlenberg County officials believe, though, a 1,500 to 2,000 megawatt plant, which would incorporate new, clean coal technology to lower sulfur and nitrogen smokestack emissions and allow it to use Western Kentucky high sulfur coal, is to be built on the company's Gibraltar mine property just east of Central City.

"It kind of hit fast," said Central

City Mayor Hugh Sweatt, who said he had learned of

the possibility only about 10 days ago.

If constructed, Sweatt said the power plant owned by a coal company would be a new concept in the coalfields. Presumably, he said, Peabody would supply coal to the plant from its reserves there.

"The power plant would have one supplier, and the coal company would have one customer," he said.

Presently, coal companies vie for contracts to sup-

See COAL, back page

Coal

ply plants owned by other companies. That leads to instability in the mining industry, Sweatt said. He explained if a coal company gets a contract to supply fuel to a power plant for a year, it calls miners to work and then if the contract is not renewed, they're laid off.

Hundreds of Western Kentucky coal miners have been laid off over the past decade as the provisions of the Clean Air Act have. made it difficult to market the region's high-sulfur coal.

Sweatt noted that 20 years ago, up to 2,600 miners were employed in Muhlenberg County, but now than 300.

Some of the county's residents are driving as far as Southern Illinois for work, he said.

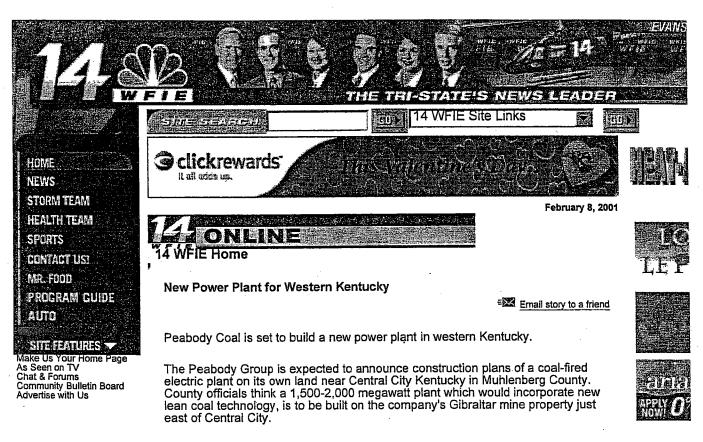
"It would definitely be a major boom to the economy if it comes to fruition," said Foe Angleton,

president of the United Mine Workers of America District 12, which includes western Kentucky. Angleton said he hoped to learn details of the company's plans at Monday's announcement.

Anthony Hulen, spokesman for Congressman Whitfield, said if the coal company does announce: plans to build a power plant Monday it will be an "example that; shows Western Kentucky coal is: still very much a viable energy resource." Peabody, in a recent company publication, said it has "been in discussion with a number of parties regarding new coalbased generation, perhaps on the company's large land holdings." .

"Several sites would be ideal," it that number has dwindled to less, said, "offering access to land, water, transmission lines" and the company's coal reserves.

> Two other power plants — TVA's Paradise Fossil Plant and Kentucky Utilities' Green River Station - are already located in Muhlenberg County.



An official announcement in expected to come on Monday.



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14 WFIE Home | 14 WFIE Local News | Storm Team 14 | Health Team 14 | Sports | Contact 14 WFIE | Mr. Food...brought to you by Buehler's | Program Guide | Auto
BACK TO TOP

February 9, 2001

Peabody Mum On Power Plant Rumors

Peabody Group is declining to comment on the subject, but Kentucky media reports are indicating that the producer will soon announce formal plans to construct a large coal-fired generating facility in western Kentucky.

According to the Evansville Courier-Press, Peabody will unveil its development plans on Monday at a press conference in Muhlenberg, Ky. A Peabody official told COAL Daily yesterday that the company isn't commenting on the story, but she did acknowledge that various Peabodyowned sites, including several in western Kentucky, are being considered for potential coal-fired development projects. In the latest version of Peabody's in-house magazine Pulse, the company said it was interested in entering the generation business (CD 1/19/01).

The fact that Peabody isn't talking publicly about the rumored Kentucky project hasn't stopped local officials from weighing in on the subject. Central City, Ky. mayor Hugh Sweatt told the Courier-Press that Peabody's plan calls for the construction of a 1,500-2,000 MW coal plant on its Gibraltar mine property just east of Central City. The mine ships high-sulfur coal to various utilities, including Tennessee Valley Authority (CD 8/23/00).

Sweatt, who said he learned of the project less than two weeks ago, told the Courier-Press that the plant would presumably be fueled by coal from Peabody's adjacent mine. "The power plant would have one supplier, and the coal company would have one customer," he said.

February 10, 2001

COURIER-JOURNAL

LOUISVILLE, KY
SATURDAY 232,000
FEB 10 2001

CENTRAL CITY 7 5 7 5 Power plant to be built, lawmaker's aide says

Peabody Coal Co. will announce Monday that a new coal-fired power plant will be built in Muhlenberg County, according to a staff member of U.S. Rep. Ed Whitfield.

Whitfield, R-Ist District, will attend the announcement at 9 am CST at

whittield, R-1st District, will attend the announcement at 9 a.m. CST at the Muhlenberg County Career Advancement Center in Central City, said Michael Pape, Whitfield's district director in Hopkinsville. No other details were available.

A spokeswoman for Peabody Coal did not return messages yesterday.

February 12, 2001



Peabody Group

News Release

CONTACT: Vic Svec (314) 342-7768

Beth Sutton (520) 525-3168

FOR IMMEDIATE RELEASE

February 12, 2001

PEABODY TO FILE PERMIT APPLICATION FOR THOROUGHBRED ENERGY CAMPUS

ST. LOUIS, Feb. 12 – Peabody Group today announced that it will file an application with the State of Kentucky for an air permit relating to a proposed coal-based electricity generation project in Western Kentucky.

This project, the Thoroughbred Energy Campus, will be located near Central City in Muhlenberg County. The proposed project would consist of a 6 million ton-per-year underground coal mine that will fuel a 1,500 megawatt generating plant sited on approximately 4,500 acres of property controlled by Peabody. The generating station is being designed to comply with all applicable state and federal regulatory emissions limits.

The project is currently in a design development stage. Peabody is engaged in discussions with several prospective partners regarding the scope and structure of the project, although no definitive agreements have been reached. Peabody currently intends to manage the initial permitting required for the project and related mine operations, and is seeking a partner that would manage generating plant construction, operation and power marketing.

Peabody Group is the world's largest private-sector coal company. Its coal products fuel 9.5 percent of all U.S. electricity generation and 2.5 percent of worldwide electricity generation.

-30-

Certain statements in this press release are forward looking as defined in the Private Securities Litigation Reform Act of 1995. These statements involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this release. These risks include, but are not limited to, changes in coal and power markets, economic conditions and weather, railroad performance; the ability to successfully implement operating strategies; the ability to obtain financing for the development of the company's business; energy costs; regulatory and court decisions; future legislation and other risks detailed from time to time in the company's reports filed with the Securities and Exchange Commission. These factors are difficult to accurately predict and may be beyond the control of the company.

Business First of Louisville - February 12, 2001 http://louisville.bcentral.com/louisville/stories/2001/02/12/daily3.html



Breaking News

15:21 EST Monday

Coal-based electric plant may locate in Western Kentucky

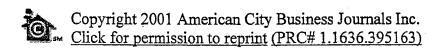
The Peabody Group, a coal company based in St. Louis, Mo., is planning to locate a coal-based electric generation plant near Central City, Ky., in Muhlenbery County.

The Peabody Group announced plans to file an application with the state for an air permit for the project, named the Thoroughbred Energy Campus, in a company news release.

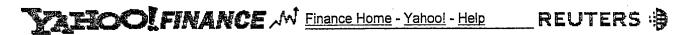
The proposed project would consist of a 6 million ton-per-year underground coal mine that will fuel a 1,500 megawatt generating plant on about 4,500 acres of property controlled by Peabody.

The project currently is in the design development stage. Peabody currently intends to manage the initial permitting required for the project and related mine operations, and it is seeking a partner that would manage generating plant construction, operation and power marketing.

Peabody Group's coal fuels 9.5 percent of all electricity generation in the United States and 2.5 percent of worldwide electricity generation, according to the news release.



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[Latest Headlines | Market Overview | News Alerts]

Monday February 12, 11:12 am Eastern Time

Peabody seeks air permit for planned Ky. coal-fired plant

NEW YORK, Feb 12 (Reuters) - Peabody Group said Monday it has asked the state of Kentucky for an air permit relating to a proposed 1,500-megawatt (MW) coal-fired power generation project in western Kentucky.

Related Quotes						
<u>^DJI</u>	10946.77	+0.00				
<u>^IXIC</u>	2489.66	+0.00				
^SPC	1330.31	+0.00				
^IIX	263.80	+0.00				
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The project, the Thoroughbred Energy Campus, will be located near Central City in Muhlenberg County, Ky., and will be made up of a six million ton-per-year underground coal mine to fuel a 1,500 MW plant on site, Peabody said in a statement.

The expected cost of the project was not disclosed.

Peabody said the project is in a design development stage, but that the generating station is being designed to comply with state and federal regulatory emissions limits.

The company said it plans to manage the initial permitting required for the project and related mine operations, and is looking for a partner to manage plant construction, operation and power marketing.

Peabody, owned by Lehman Bros Holdings Inc (NYSE<u>LEH</u> - news), is the world's largest private-sector coal company, fueling 9.5 percent of all U.S. power generation and 2.5 percent of world power generation.

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Palmer tapped for executive v.p. post at Peabody

n a recent flurry of top-level appointments, Peabody Group has tapped Western Fuels Association's Fred Palmer to join the coal company as executive vice president — legal and external affairs.

Palmer, the longtime CEO and general manager of Western Fuels, tendered his resignation in late October and left the utility company at the end of 2000, vowing to remain active in the coal industry (CO 11/20/00). He kept his brainchild advocacy group, the Greening Earth Society, in his activities portfolio (CO 12/18/00).

In his new role, Palmer will be responsible for the legal, state and federal government affairs, public and investor relations functions at Peabody Group. He will report directly to Peabody Chairman and CEO *Irl*

Engelhardt. Reporting to Palmer will be Jeffery Linger, v.p. — legal services; John Wootten, v.p. — environment and technology; and Vic Svec, v.p. — public relations.

In other Peabody appointments:

• Ian Craig has joined the company as group executive — Midwest Operations. Craig will be responsible for the Camp and Midwest operating units, Bluegrass Coal Co., and Highland Coal Co., all located in Kentucky.

Craig will report to Richard Whiting, Peabody president/COO. Reporting to Craig will be Aaron Jackson, Camp operations manager, Ken Allen, Midwest operations manager; John Hill, Bluegrass operations manager; and Terry Hird, manager—special projects. Craig recently served as managing director of Peabody Resources Ltd., the Australian subsidiary that was sold on Jan. 29.

- Roger Walcott Jr. has been appointed executive vice president—corporate development, with responsibilities for business development, coalbed methane and electricity generation development activities along with land management and mine redevelopment activities.
- Richard Navarre is being promoted to executive vice president and chief financial officer. He previously headed the company's sales and coal trading functions.
- William Broshears is assuming the position of vice president mining services. His responsibility includes construction management, materials management, safety, labor relations and industrial engineering.

Plant rumored at Peabody site

Peabody Group will announce plans Monday for construction of a coal-fired power plant in western Kentucky.

The Evansville Courier & Press reported Feb. 8 that Peabody will hold a press conference that could include Sen. Mitch McConnell and a representative of Kentucky Gov. Paul Patton.

The newspaper said that Muhlenberg County officials believe a 1,500-2,000-MW plant, incorporating clean-coal technology, will be built on Peabody's Gibraltar mine property east of Central City.

In January, Peabody said in its in-house Pulse magazine that the company "has been in discussion with a number of parties regarding new coalbased generation, perhaps on the company's large land holdings."

A Peabody spokeswoman said, "We've been reviewing a number of sites around the country on Peabody property that are well-suited for power plants, and that includes western Kentucky."

After a dearth of coal plant construction, this would be the latest in a flurry of coal plant announcements. Officials say natural gas prices could determine the number of coal plants actually built.

Peabody works new reserves at Federal No. 2

ithin the last six months, Peabody Group has hired about 60 new workers off the United Mine Workers panel for its Federal No. 2 mine, mostly to work in a new reserve area, said a local UMW official.

Some of the new people are replacing workers lost through attrition at the mine located near Fairview, W.Va. But others represent a net increase in the total workforce, said the UMW source.

Peabody declined comment, except to say that any new development at Federal No. 2 is within the range of normal mine operations.

In the last few months, Peabody has pushed three continuous miner units into a

new area called the east reserve, said the UMW. The mine opened in 1968 and the company first tried to mine there in the early 1970s. But it ran into unstable roof and some water problems and pulled out after only about 600-800 feet of mining, the union official said. Now, with newer mining technology, this reserve looks workable, and CM operations there have gone smoothly so far, the source said.

The mine's longwall has about 6-8 panels or about 4-5 years of work left in the current mine area, said the union official. If the east reserve proves to be feasible, it would add another 15 years to the mine's life, he added.



Client: Peabody Group

Date: 2/12/01

Station: WFIE-TV Evansville

Time: 6 PM

Program: News

Subject: Thoroughbred

Energy Campus

ANCHOR: Some fuel for the slumping economy in western Kentucky as Peabody is set to build a coal-fired power plant. The so-called Thoroughbred Energy Campus would be built near Central City in Muhlenberg County. The underground mine would fuel a fifteen hundred megawatt generating plant on forty five hundred acres. The mine and the power plant are welcome news after seeing so many coal jobs lost in the past 20 years.

BOB WATKINS (CENTRAL CITY): They were economically disenfranchised. They were concerned. This has been an awakening, a possible re-birth for the coal industry in Muhlenberg County.

ANCHOR: If given the go-ahead the power plant could be up and running by 2005 with 500 workers providing electric power to a million and a half customers across the Midwest.



Client: Peabody Group

Date: 2/12/01

Station: WTVW-TV Evansville

Time: 6 PM

Program: News

Subject:

Thoroughbred

Energy Campus

ANCHOR: The Peabody Group announced today its plans to build a coalbased power plant near Central City, Kentucky. The plant will bring 1,500 new jobs and \$83 million in economic development to the area. This is the site of the new Thoroughbred Energy Campus, a coal-based power plant that will generate enough electricity for one and a half million households a year. The project will consist of an underground mine that will fuel a fifteen hundred megawatt generating plant.



Client: Peabody Group

Date: 2/12/01

Station: WFIE-TV Evansville

Time: 5 PM

Program: News Subject:

Thoroughbred Energy Campus

ANCHOR: Coal could become king again in Muhlenberg County. A new coal-burning power plant could open to meet the ever-growing demand for energy and bring new jobs to the area. Scott Arnold's here with the details.

SCOTT ARNOLD: When you talk about the demand for energy just look at California and the problems they're having finding it. It's expected the demand for electricity will jump 40% over the next two decades. The Peabody Coal Group believes a solution to the problem lies underground in western Kentucky.

Politicians and the people, excited about a new coal burning power plant coming to Muhlenberg County. Near Peabody's Gibraltar Mine Property they plan to build an underground coal mine to fuel a power generating plant. 1.5 million customers in the Midwest will get their power from the coal plant, which is making a comeback. That's good news for a county where coal had been king but after demand went down for coal in the eighties, unemployment went up

Peabody has to get some state permits okayed before they start building their Thoroughbred Energy Campus this fall. A thousand people will be employed to build the project and they'll hire 500 people when it officially opens in 2005. So why did the demand for coal decline in the first place? A lot of environmental groups complained the coal plants polluted the air too much. But Peabody says new technology cuts down on the number of pollutants that go into the air.

END



Client: Peabody Group

Date: 2/12/01

Station: WTVW-TV Evansville

Time: 9 PM

Program: News

Subject: Thoroughbred

Energy Campus

ANCHOR: Peabody Group announced today its plans to build a coal-based power plant near Central City, Kentucky. The plant will bring 1,500 new jobs and \$83 million in economic development to the area. Fox 7's Amy Budnick was there for the big announcement this morning and says the plant is a welcome addition to Muhlenberg County.

REPORTER: This is the site of the new Thoroughbred Energy Campus, a coal-based power plant that will generate enough electricity for one and a half million households a year. The project will consist of an underground mine that will fuel a fifteen hundred megawatt generating plant.

RESIDENT: It's going to be a huge boost to the economy. Mainly it's going to put a lot of minor's back to work that have been laid off.

REPORTER: During construction, the plant will employ 1,000 people and will produce \$75 million. When it is in full operation by fall of 2005, 500 people will have full time jobs and \$83 million will be pumped back into the economy.

UNIDENTIFIED: Every aspect of this plant is designed to ensure that every operation fully complies or exceeds all state and federal laws governing the operation. To put it into perspective, the Thoroughbred Complex will be the cleanest coal-based power plant of its size, east of the Mississippi.

www.tvpulse.com

REPORTER: Hundreds of western Kentucky coal miners have been laid off during the past decade as the provisions of the clean air act have made it difficult to market the region's high sulfur coal, but now with this clean power plant, the demand is there.

RESIDENT: I think it's a good thing, we need it. The mines are all gone and a lot of people are laid off and lost their jobs. We need the employment here.

RESIDENT: I think it's going to be great. We need some jobs around here. We need some good jobs around here.

RESIDENT: We've needed it for quite sometime. Coalmines have gone down for quite some time. We've always depended on cool and it's coming back.

REPORTER: In Central City, Kentucky. Amy Budnick Fox 7 News.

ANCHOR: Currently, Peabody intends to manage the initial project and is looking for a partner to manage plant construction and mine operations.



Client: Peabody Group

Date: 2/12/01

Station: WEVV-TV Evansville

Time: 10 PM

Program: News

Subject: '

Thoroughbred

Energy Campus

ANCHOR: More jobs are on the way. CBS 44 has an eye on Muhlenberg County. A new power plant will be located near Central City and along with it will come hundreds of jobs and a multi-million dollar boom for the area. Peabody Cal made the announcement this morning. The \$1.5 billion Thoroughbred Energy Campus will be an underground coal mine as well as a fifteen hundred megawatt coal-based power plant.



Client: Peabody Group

Date: 2/12/01

Station: WEVV-TV Evansville

Time: 5 PM

Program: News

Subject: Thoroughbred

Energy Campus

ANCHOR: A new coal burning power plant in western Kentucky could bring hundreds of new jobs to the tri-state area. The Peabody Group has filed for permits to build a new coal-based electrical plant near Central City, Kentucky. CBS 44 News has an eye on Muhlenberg County. Alison Monroe is live in our Owensboro bureau with more on what this means for you.

REPORTER: Peabody, the world's largest coal company, made the announcement to Muhlenberg County residents this morning and it has them very excited about the future of their community.

Peabody Coal tells CBS 44 News construction is scheduled to begin this fall and the plant is expected to be up and running by the year 2005. If you have any questions or are interested in applying for a job at the Thoroughbred Energy Campus you can contact Peabody at the e-mail address on your screen, ThoroughbredEnergy@PeabodyGroup.com. Reporting live from the Owensboro bureau, Alison Monroe, CBS 44 News.



Client: Peabody Group

Date: 2/12/01

Station: WFIE-TV Evansville

Time: 10 PM

Program: News

Subject:

Thoroughbred

Energy Campus

ANCHOR: Peabody Coal is filing permits to begin construction on a power plant in western Kentucky. The Thoroughbred Energy Campus would be built near Central City in Muhlenberg County. The underground coalmine would fuel a fifteen hundred megawatt generating plant on forty five hundred acres. The mine and power plant would mean hundreds of jobs. Electric production could begin in 2005.

END

www.tvpulse.com



Client: Peabody Group

Date: 2/12/01

Station: WFIE-TV Evansville

Time: 11:30 AM

Program: News

Subject: Thoroughbred

Energy Campus

ANCHOR: A new power plant could be coming to the tri-state area. The Peabody Group announced it will file an application for a permit for a coal-based electricity generation project in western Kentucky. The proposed project is called the Thoroughbred Energy Campus and would be located near Central City in Muhlenberg County. It would consist of a six million ton underground coal mine that would fuel a fifteen hundred megawatt generating plant on forty five hundred acres of property controlled by Peabody. The plant will employ 1,000 people while it's being built, then 500 once it's up and running. Production is scheduled to begin in 2005.



Client: Peabody Group

Date: 2/12/01

Station: WEHT-TV Evansville

Time: 5 PM

Program: News

Subject: Thoroughbred

Energy Campus

ANCHOR: Some good economic news to report this evening. A billion dollar project is expected to result in hundreds of new construction and ultimately permanent jobs to boost the economy near Muhlenberg County. News 25's Steve Gibson is live in the newsroom with the story.

REPORTER: It's being called the most important economic development project in Muhlenberg County, Kentucky in more than forty years. Peabody Group says it has begun the application process to proceed with a six million ton per year underground coal mine at this site east of Central City. The mine will then fuel a 15 hundred megawatt coal fired power plant at the same location. The Thoroughbred Energy Campus Construction Project is expected to mean anywhere from 400 to 600 new jobs.

MELODY VAUGHT (MUHLENBERG COUNTY RESIDENT): I think it's a wonderful idea. It'll really help the economy in this county. Which, you know after several years, that the coalmines have been going down hill. So this is a big boost for our county. Real proud of it to get it here.

CHARLES WILSON (MUHLENBERG COUNTY RESIDENT): I think it'll probably be good for the county. We certainly need something here and I hope it draws industry, is what I would like to see it do.

BRENT MIDKIFF (WAL-MART STORE MANAGER): It's going to add about 80 million dollars worth of income per year. And for this county, with unemployment like it is, it's running about 5.7% and it's just going to be a

blow up, it's really going to be great for the county. I'm tickled to death to see it come.

BOB MIDDLETON (MUHLENBERG COUNTY RESIDEN: The economy down here is not too good, I know that much. But I don't think it'llhurt anyway.

REPORTER: The power plant would burn the high sulfur coal, which is found in this area. But Peabody officials say the plant would comply with all state and federal emissions standards.

JASON REIBER (MUHLENBERG COUNTY RESIDENT): A lot more pollution and stuff, that's what I'm worried about because we've already got TVA up here. But job wise, it'll be good.

ANCHOR: Peabody plans to operate the underground coalmine and is seeking a partner to manage construction and operation the power plant. The entire state and federal permitting process is expected to take up to five years to complete.

Peabody seen entering power market; adds electric generation executive

Peabody Group, the nation's largest coal producer, is set to announce today (Feb. 12) that it plans to develop an approximately 1,500-mw coal-burning generating station in Muhlenberg County KY, a project one local official predicted "will revitalize" western Kentucky's long-suffering high sulfur coal industry.

Underscoring its move into the power production business, the company late last week announced some major personnel appointments, including the creation of an executive vice president for corporate development who will be involved with electricity generation activities.

In another major move, Peabody also last week appointed Frederick D. Palmer to the position of executive vice-president for legal and external affairs. Other major appointments were also announced last week. (See next story).

While Peabody officials could not be reached to confirm the power project by *Coal Week's* deadline, various officials including the office of Senator Mitch McConnell (R-KY) indicated that a press conference on the project was set for Feb. 12. State Rep. Brent Yonts told *Coal Week* last week that an announcement was imminent. According to Yonts and an official with the United Mine Workers of America, Peabody will develop the power plant with a joint venture partner, which was not identified. It presumably will be either an independent power producer or electric utility.

Electricity from the new generating station, to be located on property owned by Peabody at its new Gibraltar highwall mine near Central City, will be sold on the open market, making the plant a "merchant" facility.

A plant the size of Peabody's could be expected to burn at least 6 to 7 million tons annually, creating the need for new mines in the region. "It will be a huge economic boom for the community which sorely needs it," said Yonts.

Peabody has confirmed it "has been in discussion with a number of parties regarding new coal-based generation, perhaps on the company's large land holdings."

February 13, 2001



Client: Peabody Group

Date: 2/13/01

Station: WFIE-TV Evansville

Time: 5 AM

Program: News

Subject:

Thoroughbred

Energy Campus

ANCHOR: Peabody wants to build a new coal-fired power plant in western Kentucky. The Peabody Group has proposed a \$1.5 billion project called the Thoroughbred Energy Campus. If the project is given the green light, the plant will be located near Central City in Muhlenberg County. Company leaders say a thousand people will be employed to build the facility. 500 workers will be employed once the plant opens in 2005.



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13 February 2001

Site Menu

Reader Options

Messenger-Inquirer

Stuffing S

News Sections

Region
U.S. & World
E-The People

Special Archives

The AP Wire

Recent Articles

Weather

Records

Anniversaries

Births :

Courts & Reports
Obituaries

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Leaf Pickup

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Hoop It Up Mascot Battle Peabody announces coal plant plans

Construction will bring 1,000 jobs

13 February 2001

By <u>David Blackburn</u> Messenger-Inquirer

POWDERLY -- In a building conceived as a place to retrain people for careers outside the coal mines, Gov. Paul Patton and other dignitaries Monday celebrated the announcement of a coal-fired power plant that will create more than 1,000 jobs.

"Welcome to Kentucky again," Patton told representatives of the project's developer, the Peabody Group, at a news conference in the new Career Advancement Center of Muhlenberg County.



Central City Mayor Hugh Sweatt speaks to an overflow crowd Monday at the Career Advancement Center of Muhienberg County during a formal announcement of a 1,500-megawatt generating plant being built in the county by Peabody Group. The Thoroughbred Energy Campus will include an underground coal mine on 4,500 acres controlled by Peabody near Central City. The mine will produce 6 million tons per year. Listening to Sweatt's comments are Gov. Paul







Patton, rear, U.S. Sen. Mitch McConnell, second from right, and U.S. Rep. Ed Whitfield. Photo by Robert Bruck, M-I

"We kept the light on for you," Central City Mayor Hugh Sweatt Jr. said before an estimated crowd of 400 local, state and federal representatives, media members and onlookers.

The \$1.5 billion Thoroughbred Energy Campus will use about 6 million tons of high-sulfur coal annually from an underground mine that will be built on the former Gibraltar Coal Co. land by the Green River. Plans for the project were first revealed by the Messenger-Inquirer on Feb. 4.

Accompanying the mine will be a 1,500-megawatt power plant. Its energy will be sold wholesale on the national grid.

"With this announcement, we hope we will advance a lot of careers in Muhlenberg County," Judge-Executive Rodney Kirtley said.

Patton added, "I have long appreciated what it (coal) means to our commonwealth and what it means to our people."

Peabody initially will assume responsibility for getting permits until it finds a partner that will be responsible for the construction and operation of the plant, as well as marketing the power, said Roger D. Walcott, Peabody's executive vice president.

The decision on a partner will not be announced for another one to two months, Walcott said, adding that Peabody is in negotiations with several companies. But he hopes a decision is made soon.

"We'd like the partner involved in a number of the key decisions around the plant," Walcott said after the half-hour news conference.

One of those decisions probably will be whether the complex will employ union or nonunion workers, said Beth Sutton, a manager with Peabody's public affairs department.

The plant is expected to create 1,000 jobs with an annual direct economic benefit of more than \$75 million during the estimated four-year construction phase, Walcott said.

The plant and mine, once operating, will create 500 jobs and an additional \$80 million benefit in wages and taxes, Walcott said. The plant will generate enough electricity to power 1.5 million homes.

Wayne Brown of Greenville, a welder for 13 years at Peabody's River Queen Surface Mine until being laid off in 1987, welcomed the news; but he was unsure afterward how or if it would benefit him.

Brown is on Peabody's panel, a list of laid-off miners from which jobs are filled according to seniority. But he wanted to know if panel members will be offered a job in the plant's construction or as a permanent employee once it is built.

"We hope we'll see several miners go back to work," said Steve Earle of Greenville, the political action director and a lobbyist for the United Mine Workers of America in Kentucky and Tennessee. "I hope this is a business venture we can all prosper from."

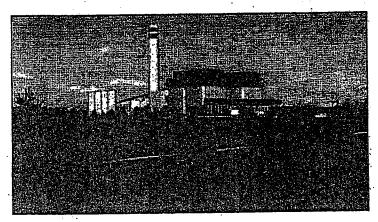
Kenny Allen, Peabody's Midwest operations manager and chairman of the Kentucky Coal Association, said miners will not be hired until late 2003 or early 2004.

"That's best case," he said. "Permitting will dictate when we start things."

Bobby Allen Jr. of Drakesboro, a member of the AFL-CIO's carpenter's Local 549 in Owensboro, was curious and optimistic about the work force.

"Quite a few of them (construction jobs at the plant) will be carpenters, I'd say," said Allen,

The announcement "is outstanding," Allen added. "Any time that a union carpenter can have an opportunity to work in his home state and his hometown, it's a big benefit."



The Peabody Group's Thoroughbred Energy Campus near Central City is shown in this artist's conception.

Another benefit of the plant is that emissions will be below state and federal standards, Walcott said.

The new power plant will use the latest technology to remove an estimated 97 percent of the sulfur dioxide, 75 percent of the nitrous oxide and 99.9 percent of particulates caused by coal burning, Walcott said.

"We expect it to be the cleanest coal plant east of the Mississippi River," he said.

Several speakers Monday said environmental legislation was partly to blame for a slump in the coal industry for the last 20 years.

Kenny Allen, no relation to Bobby Allen Jr., said about 2,000 miners annually produced 30 million tons of coal in Muhlenberg and Ohio counties during the peak years in the early 1980s. Now, only 500 or so miners produce a million tons per year, he said.

The eight years under former President Clinton "have not been . . . friendly to the use of coal," said U.S. Rep. Ed Whitfield, R-Hopkinsville.

Whitfield called for a national energy policy, adding that coal-based generation produces 55 percent of the electricity in the United States.

"We cannot meet the demands of the American people or of industry . . . without the use of coal," he said.

"We can produce energy cleanly," said U.S. Sen. Mitch McConnell, R-Louisville, who decried a recent lack of research into clean coal-burning.

The arrival of a more business-friendly administration and the energy shortages in California have produced changes in favor of the coal industry, McConnell said.

"There is a new attitude in Washington," he said. "We're going to dig more coal, and we're going to burn more coal in America, and we're going to begin right here in Muhlenberg County."

Back to top

E-mail this page t	C.			Front: () ()		E-mail
Name		E-mail		Name		I Hall
· M	essage				Martin francis or set of facts in the pape, and	
Even						TENNESSE CONTRACTOR CO. C. C. C.
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Evansville Courier & Press

Tuesday, February 13, 2001

Areas

Business Article

Courier News/Services GOL

Top News

- Latest News
- News
- Sports
- Prep Sports
- Features
- Business & Tech
- Area Deaths
- Yellow Pages
- Kentucky News
- APNews Wire
- Archives
- Area Guide
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- Chat
- Classifieds
- Event Calendar
- Community Voice
- Computers
- Crime Maps
- Faith & Values
- Fastrak
- Food
- Forums
- Health News
- Internet Guide
- Kids Zone
- Movies
- Personals
- Photography
- Police Scanner
- Relationships
- School Lunch
- Shopping
- TV Listings
- Weather
- Customer Service
- Contact Us
- Billing Questions

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- Coupons
- HealthWise
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Power plant permits placed on hold

State wants more air quality data from EnviroPower

By MARK WILSON, Courier & Press staff writer

(812) 464-7417 or mwilson@evansville.net

Pollution permits for two proposed power plants in Southwest Indiana are on hold, state environmental officials said.

The Lexington, Ky. -based company EnviroPower wants to begin operating power plants in Pike and Sullivan counties in 2004.

However, EnviroPower still has more work to do to show how the power plants — which will burn coal waste will affect air quality, said Tim Coulom, a spokesman for the Indiana Department of Environmental Management.

James Morris, an EnviroPower vice president, said the company is confident the technology it is proposing is among the cleanest available.

"This is kind of the next-generation for clean-burning coal technology," Morris said.

State officials want more proof.

"The application, in particular the air quality review section, contains insufficient data for a complete review," said a letter from IDEM to EnviroPower last month.

Among the problems was an incomplete air-quality analysis for the key pollutants of particulate matter, sulfur dioxide and nitrogen oxide (a contributor to ozone pollution).

Although Pike County is not in violation of federal ozone pollution standards, IDEM officials have previously said the potential impact of nitrogen oxide emissions on ozone in the region will be considered in the permitting process.



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The company also did not provide results of an impact analysis for other pollutants, including mercury, beryllium, fluorides and sulfuric acid mist.

Waste coal, also called gob, left over from the mining process and from washing coal to remove sulfur impurities, will be combined with straight coal to fuel the plants.

The power will be sold to other Southern Indiana utilities.

Since first applying for pollution permits for power plants in both Indiana and in Eastern Kentucky, Morris said, the company has agreed to add another \$13 million scrubber to its proposed plants.

The technology is identical to that included in a similar project on the drawing board in Puerto Rico. Other similar power plants are in operation in West Virginia, Maryland and Pennsylvania, Morris said.

He said the company is working to supply the other required information and still hopes the state will issue a draft permit in March.

The permit would not become final until after a public comment period.

"We expected to get some letters from IDEM, and they are nothing out of the ordinary," Morris said. "These are good precautions. If I were IDEM, I would be asking for a lot more information, too."

The Southern Indiana operations will both be 500megawatt plants, each consisting of two 250-megawatt high-tech circulating fluidized bed boiler units. Enough energy to serve 100,000 homes will be generated by the two proposed Indiana plants.

The boilers are designed to mix coal and other fuels with limestone to help absorb sulfur emissions created during combustion. The units also burn at lower temperatures than conventional coal-fired power plants and are supposed to emit less nitrogen dioxide pollution.

Both the Pike and Sullivan county operations will be on lands owned by Kindill Mining Co., which in turn is owned by Addington Enterprises of Ashland, Ky.

The Pike County plant north of Spurgeon, Ind., off Indiana 61, would cost about \$600 million to build and about \$45 million a year to operate. It would employ about 50 permanent workers.

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BACK TO TOP

Coal Outlook's Daily Advisor, 2/13/01

Peabody unveils Ky. minemouth power project

ith Kentucky Gov. Paul Patton and U.S. congressmen in tow, Peabody Group announced on Feb. 12 an ambitious power project in Muhlenberg County that calls for a 6 million-ton/yr underground coal mine and a 1,500-MW minemouth generating plant (CO 1/15, 2/12).

But the occasion wasn't all accolades. A United Mine Workers official who attended the unveiling lauded Peabody for being "ahead of the curve" and "innovative" for engineering the power project, which will most likely wheel the power to the open market rather than generate it for local consumption.

At the same time, the UMW official, Dis-

trict 12 President Joe Angleton, said Peabody was resurrecting the name of its non-union Indiana operations, Thoroughbred Coal, in naming the power project the Thoroughbred Energy Campus (TEC).

"I think if you look at Peabody's history of the past few years, I think you can reasonably ascertain they won't approach us," Angleton said, vowing that the union would attempt to organize the project "as sure as we're living and breathing."

Angleton added, "We would like to be a part of this new venture; time will tell."

He said that Peabody offered no timelines

or other specifics for project development. Angleton speculated that the mine and plant would employ "no more than 500" workers altogether. The underground mine would certainly have to be a longwall operation to crank out 6 million tons annually, he said.

Officials with Peabody were unable to return telephone inquiries by press time.

The Peabody press statement said that the company will file an application with the state of Kentucky for an air permit for the TEC project, but the statement did not indicate how soon. TEC will be sited on about 4,500 acres of property controlled by Peabody, the company said.

"The generating station is being designed to comply with all applicable state and federal

regulatory emissions limits," Peabody said.

Peabody said at the press conference that the plant's state-of-the-art system would remove 97% of the sulfur emissions, 99% of the particulate matter and 75%-80% of the nitrogen oxide emissions, according to Angleton.

"The project is currently in a design development stage," Peabody said in its statement. "Peabody is engaged in discussions with several prospective partners regarding the scope and structure of the project, although no definitive agreements have been reached.

"Peabody currently intends to manage the initial permitting required for the project and related mine operations and is seeking a partner that would manage generating plant construction, operation and power marketing," the company said.

In his own statement regarding the project, Patton said, "In April of 2000, I signed two bills (HB 805 & 806) to provide incentives for coal-fired generation plants to locate near an inexpensive fuel source, which creates jobs and decreases coal transportation costs, and also makes very good use of Kentucky's own coal.

"I'm hopeful that by creating a positive business atmosphere, state government has played a role in attracting quality jobs with a quality company and we welcome the opportunity to form a business partnership with Peabody Coal Company," the governor said.

Peabody Confirms New Electric Generation Project

Following a week of heavy media speculation (CD 2/9/01), Peabody Group yesterday broke its silence regarding its plans to develop a new coal-fired power facility in western Kentucky.

Peabody confirmed in an announcement that it intends to file an application this week with the state of Kentucky for a permit to construct a 1,500-MW coal plant near its Gibraltar mine site in Muhlenberg County, Ky. The proposed Thoroughbred Energy Campus would consist of the generating facility and a new underground mine capable of producing approximately 6 million tons/year. The plant

would be fueled entirely by the adjacent mining operation.

The project is currently in the "design development stage." but Peabody noted that the generating facility will be designed to comply with all applicable state and federal regulatory emissions limits. The company added that it intends to manage the initial permitting required for the project, but it is seeking a partner to "manage generating plant construction. operation and power marketing." Peabody said it has initiated discussions with several potential partners, but no definitive agreement have been reached.

Peabody didn't announce a timetable for the project and company officials weren't available for further comment before press time.

In related news, Peabody said it will announce the results for its third fiscal quarter on Wednesday, Feb. 14.

News Stream, 2/13/01

NEW COAL MINE PLANNED

COAL FIRM PLANS THOROUGHBRED ENERGY CAMPUS

ST. LOUIS, MO. - - - Peabody Group announced that it will file an application with the State of Kentucky for an air permit relating to a proposed coal-based electricity generation project in Western Kentucky. This project, the Thoroughbred Energy Campus, will be located near Central City in Muhlenberg County. The proposed project would consist of a 6 million ton-per-year underground coal mine that will fuel a 1,500 megawatt generating plant sited on approximately 4,500 acres of property controlled by Peabody. The generating station is being designed to comply with all applicable state and federal regulatory emissions limits.

The project is currently in a design development stage. Peabody is engaged in discussions with several prospective partners regarding the scope and structure of the project, although no definitive agreements have been reached. Peabody currently intends to manage the initial permitting required for the project and related mine operations, and is seeking a partner that would manage generating plant construction, operation and power marketing. (Peabody Group)

USA Today, 2/13/01

Kentucky: Central City — The Peabody Group said it will seek a state permit to build an electricity generating plant in western Kentucky. The \$1.5 billion Thoroughbred Energy Campus will be located near Central City in Muhlenberg County. A 6 million-ton underground coal mine will fuel the 1,500-megawatt generating plant. The facility would open in 2005 and employ 500 people, Peabody said.

Copyright 2001 King Communications Group Energy Daily

February 13, 2001

LENGTH: 347 words

HEADLINE: Peabody Pushing Monster Coal-Fired Power Project

BODY:

-GEORGE LOBSENZ

Wanted: One intrepid power plant developer/operator to take on one of the biggest U.S. coal-fired electricity generation projects in recent memory.

That was the call that went out from Peabody Group Monday in announcing plans for a massive mine-mouth plant in western Kentucky.

The announcement comes as U.S. utilities-stung by soaring natural gas prices-are tiptoeing around the idea of building new coal-fired electricity generation, which offers clear long-term cost advantages, but also brings environmental headaches.

Peabody Group, the world's largest private coal company, says it is willing to handle the environmental issues.

It announced it will apply to Kentucky officials for air permits needed to proceed with the planned Thoroughbred Energy Campus on land the company already owns.

The project, to be located near Central City in Muhlenberg County, would include an underground mine capable of producing 6 million tons of coal per year to fuel the 1,500 megawatt plant.

Peabody said the plant was in "design development" stage and that it was in discussions with several "prospective partners" about the size and scope of the project. Peabody did not identify the possible partners and said no definitive agreements had been reached.

Peabody said it would manage the initial permitting for the project and mine operations.

It is looking for a partner that would manage construction and operation of the power plant and electricity marketing.

The project was unveiled following a strategic decision by Peabody last year to cut back its international operations and focus on its core U.S. electricity market. Peabody coal fuels more than 9 percent of U.S. power generation.

Peabody last week announced a management restructuring aimed at focusing on growth, "providing new products and services to our customers and maximizing results from our existing operations."

And in a corporate restructuring, the company Monday announced it planned an initial public offering of all its stock, with the proceeds to be used to retire debt.

The Associated Press State & Local Wire

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February 12, 2001, Monday, BC cycle

SECTION: Business News; State and Regional

LENGTH: 540 words

HEADLINE: Coal-fired power plant to be built in slumping mining region

BYLINE: By KIMBERLY HEFLING, Associated Press Writer

DATELINE: CENTRAL CITY, Ky.

BODY:

The Peabody Group said Monday it would build a coal-fired power plant in an economically depressed western Kentucky county that has seen a dramatic decrease in coal mining jobs.

The \$1.5 billion power plant project includes an accompanying underground mine in Muhlenberg County that will produce 6 million tons of coal annually for the 1,500-megawatt generating plant.

The plant is expected to open in 2005 and employ 500 people, said Roger B. Walcott Jr., executive vice president of St. Louis-based Peabody.

The announcement was hailed by Gov. Paul Patton, U.S. Sen. Mitch McConnell, R-Ky., and U.S. Rep. Ed Whitfield, R-Ky., as a boon for the county and a sign that Kentucky's coal industry is still strong.

The company said the plant outside Central City will use environmentally friendly technology that abides by all state and federal regulations.

Partly because of the development of the Internet, there is an increased demand for electricity in the United States and coal needs to be a viable part of handling the demand, McConnell said. Already, 55 percent of the nation's electricity and 98 percent of Kentucky's power comes from the use of coal.

The attitude that any way to produce electricity is harmful to the environment is misguided, McConnell said.

Peabody is providing rebirth to Muhlenberg County and also helping to solve energy problems, McConnell said.

"We're going to have more jobs. We're going to have more opportunities. And yes, we're going to have more power for America," McConnell said. "We're not going to apologize about it. We're not going to feel guilty about it."

The Muhlenberg County plant will be a merchant plant and electricity generated will be sold

wholesale on the grid to suppliers, Walcott said. It is estimated it will provide power to 1.5 million households in Kentucky, Indiana, Ohio and Tennessee.

Peabody will take advantage of legislation passed in the 2000 General Assembly that provides tax incentives to burn Kentucky coal at utilities, Patton said.

Tom FitzGerald, director of the Kentucky Resources Council, said he has not had time to review the company's proposal, but he said the environmental effects of having new power plants in the state is an issue that needs to be addressed.

He said Kentucky is an attractive place to build merchant coal-fired plants because of its proximity to the coalfields and because of tax incentives.

In the last year, at least two companies have announced plans to build power plants in the state, at least partly using coal waste.

While there are economic benefits to building merchant power plants in Kentucky, by doing so you're essentially "centralizing pollution costs for other people's benefits," FitzGerald said.

Peabody has been mining coal in Muhlenberg County for half a century. In the early 1980s, more than 30 million tons of coal were mined in the area, but the number has dropped to 1 million in recent years. The company also went from employing 3,000 miners in the '80s in Kentucky - primarily in Muhlenberg and surrounding counties - to about 600 today.

"Welcome home," said Central City Mayor Hugh Sweatt Jr. said of Peabody at Monday's announcement. "We kept the light on for you."

GRAPHIC: AP Photo KYOWE101

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February 13, 2001

Current Temperature



TOP STORIES



POWER PLANT HERE? NEIGHBORS SAY 'NO'

Also in the Southern Illinoisan

By Cindy Humphreys [Mon Feb 12 2001]

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MURPHYSBORO -- Cinergy officials say they want to be good neighbors and if the community doesn't want them to build a part-time power plant outside Oraville, they won't.

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time power plant outside Oraville, they won't.

Dozens of neighborhood residents came to an open house meeting

in Murphysboro Monday night to say just that.

"I've asked them: 'What part of "NO" don't you understand?'" said Dale Reiman, who lives within a mile of the proposed power plant. "We don't want you here."

Sergio Hoyos, director of business development for the Cincinnatibased power company , said the site was chosen because a natural gas pipeline is close by, as are existing electric transmitting lines.

The proposed power plant would use natural gas to fuel electricitygenerating turbines. It would be used primarily during the summer's peak season, when the Midwest's air-conditioners are cranked on high.

"Everybody wants to be able to turn on their electricity, but nobody wants to produce it," Hoyos said. "Everybody likes to use their blow dryers, microwaves and TVs. But no one wants to live near the power plants."

Cinergy presently has an option to buy 77 acres of land southeast of Oraville. Hoyos said there is a 50-50 chance that the plant will not be located at Oraville.

It has been estimated that the plant will cost between \$150 million and \$180 million to construct. It would provide about 250 temporary construction jobs. Ten employees would be needed to operate the plant.

While the plant would not be assessed at \$150 million, the facility would provide a substantial increase in property tax revenue.



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Tom Chaney, an environmental coordinator with Cinergy, said the company may explore tax abatement incentives from the county.

"But we would not take a tax abatement from the schools," Chaney said firmly. "We just wouldn't do that."

Many of the neighborhood residents moved to the country to get away from the sights and sounds of the city.

"We moved here four years ago from the Chicago area," said Miriam Timmons, who lives less than a mile from the proposed site. "I'd never seen the Milky Way before. We got a telescope for Christmas and we won't be able to use it. That place will be lit up like a football field."

Her husband, Scott, worries about property values and the annoyance factor of hearing the turbines drone through the summer evenings.

"It's going to run all through the summer, right when I'm sitting on the porch trying to relax," Scott Timmons said. "I cannot believe this is happening. No one's going to want to buy our house."

Kay Reiman said her family bought property near Oraville 24 years ago. She said property values had begun to rise, as people subdivided their property for housing complexes.

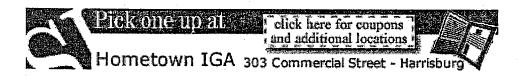
"Nobody is going to want to live beside this," she said. "It's like 24 years is going up in a puff of steam."





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13 February 2001

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Reader Options



Front Page

News Sections

Region

U.S. & World E-The People Special Archives

The AP Wire **Recent Articles**

Weather

Also Inside

COMMUNITY: Brad McKay didn't have to hunt for the right job

Records

<u>Anniversaries</u> **Births** Courts & Reports **Obituaries** Real Estate Weddings

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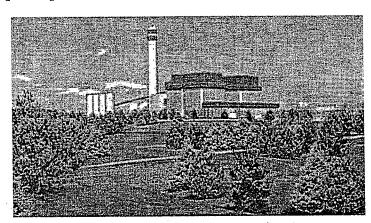
CLOSINGS

Peabody announces coal plant plans

Columnists

Construction will bring 1,000 jobs

POWDERLY -- In a building conceived as a place to retrain people for careers outside the coal mines, Gov. Paul Patton and other dignitaries Monday celebrated the announcement of a coal-fired power plant that will create more than 1,000 jobs.



The Peabody Group's Thoroughbred Energy Campus near Central City is shown in this artist's conception. Central City Mayor Hugh Sweatt announced Monday that a 1,500-megawatt generating plant would be built in the county by Peabody Group. The Thoroughbred Energy Campus will include an underground coal mine on 4,500 acres controlled by Peabody near Central City. The mine will produce 6 million tons per year.

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Front Page

News

Calumnists 😩 Opinion 🥫

Features

Classified

News Sections

Region U.S. & World E-The People Special Archives The AP Wire Recent Articles

> Weather Records

Anniversaries <u>Births</u> Courts & Reports **Obituaries** Real Estate

Weddings Popular Areas

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Peabody announces coal plant plans

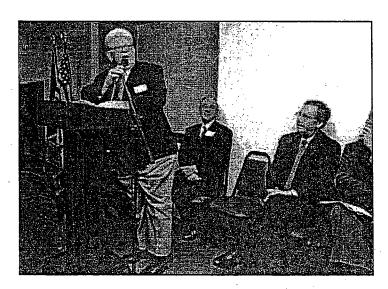
Construction will bring 1,000 jobs

13 February 2001

By <u>David Blackburn</u> Messenger-Inquirer

POWDERLY -- In a building conceived as a place to retrain people for careers outside the coal mines, Gov. Paul Patton and other dignitaries Monday celebrated the announcement of a coal-fired power plant that will create more than 1,000 jobs.

"Welcome to Kentucky again," Patton told representatives of the project's developer, the Peabody Group, at a news conference in the new Career Advancement Center of Muhlenberg County.



Central City Mayor Hugh Sweatt speaks to an overflow crowd Monday at the Career Advancement Center of

Muntenberg County during a formal announcement of a 1,500-megawatt generating plant being built in the county by Peabody Group. The Thoroughbred Energy Campus will include an underground coal mine on 4,500 acres controlled by Peabody near Central City. The mine will produce 6 million tons per year. Listening to Sweatt's comments are Gov. Paul Patton, rear, U.S. Sen. Mitch McConnell, second from right, and U.S. Rep. Ed Whitfield. Photo by Robert Bruck, M-I

"We kept the light on for you," Central City Mayor Hugh Sweatt Jr. said before an estimated crowd of 400 local, state and federal representatives, media members and onlookers.

The \$1.5 billion Thoroughbred Energy Campus will use about 6 million tons of high-sulfur coal annually from an underground mine that will be built on the former Gibraltar Coal Co. land by the Green River. Plans for the project were first revealed by the Messenger-Inquirer on Feb. 4.

Accompanying the mine will be a 1,500-megawatt power plant. Its energy will be sold wholesale on the national grid.

"With this announcement, we hope we will advance a lot of careers in Muhlenberg County," Judge-Executive Rodney Kirtley said.

Patton added, "I have long appreciated what it (coal) means to our commonwealth and what it means to our people."

Peabody initially will assume responsibility for getting permits until it finds a partner that will be responsible for the construction and operation of the plant, as well as marketing the power, said Roger D. Walcott, Peabody's executive vice president.

The decision on a partner will not be announced for another one to two months, Walcott said, adding that Peabody is in negotiations with several companies. But he hopes a decision is made soon.

"We'd like the partner involved in a number of the key decisions around the plant," Walcott said after the half-hour news conference.

One of those decisions probably will be whether the complex will employ union or nonunion workers, said Beth Sutton, a manager with Peabody's public affairs department.

The plant is expected to create 1,000 jobs with an annual direct economic benefit of more than \$75 million during the estimated four-year construction phase, Walcott said.

The plant and mine, once operating, will create 500 jobs and an additional \$20 million benefit in wages and taxes. Walcott said. The

plant will generate enough electricity to power 1.5 million homes.

Wayne Brown of Greenville, a welder for 13 years at Peabody's River Queen Surface Mine until being laid off in 1987, welcomed the news, but he was unsure afterward how or if it would benefit him.

Brown is on Peabody's panel, a list of laid-off miners from which jobs are filled according to seniority. But he wanted to know if panel members will be offered a job in the plant's construction or as a permanent employee once it is built.

"We hope we'll see several miners go back to work," said Steve Earle of Greenville, the political action director and a lobbyist for the United Mine Workers of America in Kentucky and Tennessee. "I hope this is a business venture we can all prosper from."

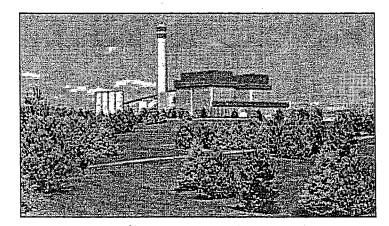
Kenny Allen, Peabody's Midwest operations manager and chairman of the Kentucky Coal Association, said miners will not be hired until late 2003 or early 2004.

"That's best case," he said. "Permitting will dictate when we start things."

Bobby Allen Jr. of Drakesboro, a member of the AFL-CIO's carpenter's Local 549 in Owensboro, was curious and optimistic about the work force.

"Quite a few of them (construction jobs at the plant) will be carpenters, I'd say," said Allen,

The announcement "is outstanding," Allen added. "Any time that a union carpenter can have an opportunity to work in his home state and his hometown, it's a big benefit."



The Peabody Group's Thoroughbred Energy Campus near Central City is shown in this artist's conception.

Another benefit of the plant is that emissions will be below state and federal standards, Walcott said.

The new power plant will use the latest technology to remove an estimated 97 percent of the sulfur dioxide, 75 percent of the nitrous oxide and 99.9 percent of particulates caused by coal burning, Walcott said.

"We expect it to be the cleanest coal plant east of the Mississippi River," he said.

Several speakers Monday said environmental legislation was partly to blame for a slump in the coal industry for the last 20 years.

Kenny Allen, no relation to Bobby Allen Jr., said about 2,000 miners annually produced 30 million tons of coal in Muhlenberg and Ohio counties during the peak years in the early 1980s. Now, only 500 or so miners produce a million tons per year, he said.

The eight years under former President Clinton "have not been . . . friendly to the use of coal," said U.S. Rep. Ed Whitfield, R-Hopkinsville.

Whitfield called for a national energy policy, adding that coal-based generation produces 55 percent of the electricity in the United States.

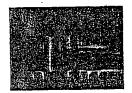
"We cannot meet the demands of the American people or of industry . . . without the use of coal," he said.

"We can produce energy cleanly," said U.S. Sen. Mitch McConnell, R-Louisville, who decried a recent lack of research into clean coalburning.

The arrival of a more business-friendly administration and the energy shortages in California have produced changes in favor of the coal industry, McConnell said.

"There is a new attitude in Washington," he said. "We're going to dig more coal, and we're going to burn more coal in America, and we're going to begin right here in Muhlenberg County."

Back to top





Evansville Courier & Press

Tuesday, February 13, 2001

Areas

News Article

Courier News/Services



Top News

- Latest News
- News
- Sports
- Prep Sports
- Features
- Business & Tech
- · Area Deaths
- · Yellow Pages
- Kentucky News
- APNews Wire
- Archives
- Area Guide
- Announce.com
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- · Classifieds
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Coal may be king again

\$1.5 billion power plant to provide jobs for 500

generating plant in Muhlenberg County.

By JOHN LUCAS, Courier & Press Western Kentucky Bureau

(270) 333-4899 or jlucas@evansville.net

CENTRAL CITY, Ky. — Western Kentucky's sagging coal industry got a boost Monday when the Peabody Group confirmed it will build a \$1.5 billion coal-fired electric

Peabody will also develop a new underground mine there to supply the 6 million tons of coal the 1,500 megawatt plant will burn annually.

It will produce enough electricity to power 13 million residences.

When it becomes operational in 2005, the complex is expected to provide jobs for about 500 people, with 350 to 400 of those jobs at the mine and the remainder in the power plant. The complex is projected to have an annual payroll of \$80 million.

Peabody officials Monday confirmed widely circulating rumors of the planned power plant to a standing-room-only crowd, which packed into Muhlenberg County's new Career Advancement Center. Among those attending were Kentucky Gov. Paul Patton, U.S. Sen. Mitch McConnell and U.S. Rep. Ed Whitfield, all of whom noted the current shortage of electricity in California and touted the region's coal as a key ingredient for national energy sufficiency.

"We believe coal is again king in Kentucky," said Peabody Executive Vice President Roger B. Walcott.

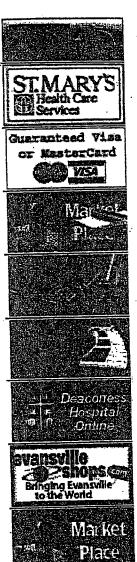
"Our plans are part of a renewed investment in electricity from coal. Interest in constructing new coal-based generation is growing at what's been called 'an eye-popping rate."

The development will be named the Thoroughbred Energy Campus, and will be located on Peabody's 4,500-acre Gibraltar mine property just east of Central City.

Coal produced by the mine would move directly to the power plant by conveyor belt, eliminating transportation costs. Currently, most coal moves from distant mines to power plants by barge or rail.

The company is in the process of applying for state air quality permits. for a coal-fired plant.

When operational, it will be known as a "merchant plant," not subject to price regulation by the Kentucky Public Service Commission. Its power will be sold wholesale through the national electrical grid to meet demand across the country.



Peabody will seek a partner to manage and operate the power plant and sell the electricity. Company officials said Monday that partner has not been established.

Walcott said the new plant, which will employ about 1,000 tradesmen during construction, will use new technology to remove most harmful smokestack emissions from the region's high sulfur coal.

It will be "the cleanest coal plant east of the Mississippi," Walcott said. Its pollution control equipment will be designed to remove 97 percent of sulfur dioxide emissions, 75 percent of nitrous oxide and 99.9 percent of all particulates.

Whitfield and McConnell said development of a national energy policy by the new Bush administration would be more friendly to coal.

"For the last eight years in Washington, it has not been environment friendly to the use of coal," Whitfield said, citing federal EPA lawsuits against most major coal-fired utilities for smokestack emissions.

"It is our hope that as we move forward that the American people will realize, along with those of us in government, that coal does produce 55 percent of the electricity used in America today and nuclear 20 percent," the congressman said.

"We cannot meet the demands of the American people or of industry in America without the use of coal," he said.

Peabody's power plant, McConnell said, is "going to bring a kind of rebirth to Muhlenberg County. We're going to have more jobs. We're going to have more opportunity.

And, yes, we're going to have more power for America. We're not going to apologize about it. We're not going to feel guilty about it."

Central City Mayor Hugh Sweatt noted the county has had a long association with Peabody Coal Co.

"Peabody Coal Co. and Muhlenberg County were synonymous with each other," Sweatt said. "When you thought of one, the other also came to mind — and rightfully so."

The mayor noted that Peabody is the world's leading coal-producing company and Muhlenberg County in the 1980s led the world in coal production with some 2,600 miners, a number which has since dwindled to fewer than 200.

Patton, an Eastern Kentucky coal operator before entering politics, said the development would provide for "high quality jobs — jobs you can raise a family on."

"For the first time in 10 years, coal is not a four-letter word," said Joseph Angleton, president of the United Mine Workers of America District 12.

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[06:34:00] ST. LOUIS BUSINESS JOURNAL REPORT **PEABODY** COAL WILL GO PUBLIC. R ST. LOUIS COULD GET AN NBA TEAM. R MONSANTO HAS A FOURTH QUARTER PROFIT. R

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3. WEHT-ABC 6:00AM 6AMNews

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PARTLY AS A PROMISE TO HER FATHER, WHO RETIRED IN THE 19-80'S FROM THE POLICE DEPARTMENT AFTER 24-YEARS OF SERVICE. HUNDREDS OF NEW JOBS COULD BE COMING TO MUHLENBERG COUNTY, KENTUCKY. OFFICIALS WITH THE PEABODY COAL COMPANY SAY THEY'RE GOING TO BUILD A NEW UNDERGROUND COAL MINE NEAR CENTRAL CITY... AND USE THE COAL FROM THE MINE TO FUEL A NEW COAL FIRED POWER PLANT. THAT WOULD BRING MORE THAN 400 NEW JOBS TO MUHLENBERG COUNTY. BUT PEABODY OFFICIALS SAY IT WON'T HAPPEN OVERNIGHT... IT COULD TAKE FIVE YEARS TO GET ALL THE NECESSARY STATE AND FEDERAL PERMITS. IF YOU'RE TIRED OF THE [**06:05:00 AM**] ENDLESS PHONE CALLS TRYING TO GET YOU TO ... BE ON THE WAY. KENTUCKY'S ATTORNEY GENERAL IS TRYING TO HANG UP ON TELEMARKETER CALLS. A 19-98 KENTUCKY LAW CREATED A "NO-CALL LIST," BUT MANY THAT WOULD BRING MORE THAN 400 NEW JOBS TO MUHLENBERG COUNTY, BUT PEABODY OFFICIALS SAY IT WON'T HAPPEN OVERNIGHT... IT COULD TAKE FIVE YEARS TO GET ALL THE NECESSARY STATE AND FEDERAL PERMITS. IF YOU'RE TIRED OF THE ENDLESS PHONE CALLS TRYING TO GET YOU TO BUY GOODS AND SERV

4. WEHT-ABC

5:00AM 5AMNews Audience Estimate: 15,000

MUST [**05:09:07 AM**] QUALIFY EVERY MONTH S))) [**05:12:24 AM**] ~?~~~}}??~))) [**05:14:45 AM**] DEVELOPMENT PROJECT IN))) [**05:15:38 AM**] MUHLENBERG COUNTY, KENTUCKY IN FOUR DECADES. OFFICIALS WITH THE PEABODY COAL COMPANY SAY THEY'RE GOING TO BUILD A NEW UNDERGROUND COAL MINE NEAR CENTRAL CITY... AND USE THE COAL FROM THE MINE TO FUEL A NEW ~))) [**05:16:23 AM**] THE BIGGEST ECONOMIC DEVELOPMENT PROJECT IN MUHLENBERG COUNTY, KENTUCKY IN FOUR DECADES. OFFICIALS WITH THE PEABODY COAL COMPANY SAY THEY'RE GOING TO BUILD A NEW UNDERGROUND COAL MINE NEAR CENTRAL CITY... AND USE THE COAL FROM THE MINE TO FUEL A NEW COAL FIRED POWER PLANT. THAT WOULD BRING MORE THAN 400 NEW JOBS TO M ... THEY'RE GOING TO BUILD A NEW UNDERGROUND COAL MINE NEAR CENTRAL CITY... AND USE THE COAL FROM THE MINE TO FUEL A NEW COAL FIRED POWER PLANT. THAT WOULD BRING MORE THAN 400 NEW JOBS TO MUHLENBERG COUNTY. BUT PEABODY OFFICIALS SAY IT WON'T HAPPEN OVERNIGHT... IT COULD TAKE FIVE YEARS TO GET ALL THE NECESSARY STATE AND FEDERAL PERMITS. A DEEP SEA ROBOT WILL BE USED TO SEARCH THE SCENE OF A RECENT SUBMARINE CRASH, A

5. WFIE-NBC 6:00AM 6AMNews

Audience Estimate: 26,000

UP MORE SUPPORT FOR TOUGHER LAWS AGAINST TELEMARKETERS. WE'LL TELL YOU ABOUT HIS CALL FOR HELP...IN JUST A MOMENT. HUNDREDS OF NEW JOBS ARE ON THE WAY FOR A WESTERN KENTUCKY TOWN. WE'LL TELL YOU WHERE THE NEW PEABODY PLANT IS PLANNING TO POWER UP. FED CHAIRMAN ALAN GREENSPAN IS EXPECTED TO MAKE AN APPEARANCE BEFORE THE SENATE BANKING COMMITTEE TODAY...ARE MORE RATE CUTS IN OUR FUTURE? WE'LL TALK WITH OUR MONEYWATCH ... OF PUBLIC INSTRUCTION SUELLEN REED HAS SUPPORTED THE MEASURE. SHE HAS SAID INDIANA HAS THE EARLIEST KINDERGARTEN ENTRANCE DATE IN THE NATION. SOME "FUEL" FOR THE SLUMPING ECONOMY IN WESTERN KENTUCKY AS PEABODY IS SET TO BUILD A COAL-FIRED POWER PLANT. THE SO-CALLED "THOROUGHBRED ENERGY CAMPUS" WOULD BE BUILT NEAR CENTRAL CITY IN MUHLENBERG COUNTY. THE UNDERGROUND MINE WOULD FUEL A 15-HUNDRED MEGAWATT GENERATI ... TO MAKE UP THE FIFTH SNOW DAY THIS YEAR ON MAY 29TH, THE DAY AFTER MEMORIAL DAY. THE STUDENTS WERE ALREADY REQUIRED TO MAKE UP A SNOW DAY ON MAY 25TH. OTHER SNOW MAKE-UP DAYS ARE MARCH NINTH AND APRIL 13TH. PEABODY WANTS TO BUILD A NEW COAL-FIRED POWER PLANT IN WESTERN KENTUCKY. THE PEABODY GROUP HAS PROPOSED A ONE-AND- A-HALF-BILLION DOLLAR PROJECT CALLED THE THOROUGHBRED ENERGY CAMPUS. IF THE PROJECT IS GIVEN THE GREEN LIGHT, THE PLANT WILL BE LOCATED NEAR CENTRAL CITY IN MUHLENBERG COUNT

6. WFIE-NBC 5:00AM 5AMNews

Audience Estimate: 26,000

24-HOURS AWAY. WE'LL TELL YOU HOW WE HOPE TO HELP YOU WITH YOUR HIGH HEATING BILLS... IN JUST A MOMENT. HUNDREDS OF NEW JOBS MAY SOON BE OPENING UP IN A WESTERN KENTUCKY TOWN. WE'LL TELL YOU WHERE THE NEW

PEABODY POWER PLANT IS PLANNING TO LOCATE... COMING UP. ALSO COMING UP...YOU MAY SOON BE ABLE TO LEAVE YOUR PHONE ONTHE HOOK DURING DINNER. WE'LL TELL YOU WHAT KENTUCKY AND INDIANA LAWMAKERS HAVE TO SAY ABOUT T ... MIRRORED A PROVISION IN A SIMILAR BILL ALREADY APPROVED BY THE HOUSE. THE FEDERAL GOVERNMENT IS REQUIRING STATES TO ADOPT THE POINT-OH-EIGHT STANDARD OR RISK LOSING MILLIONS OF DOLLARS IN HIGHWAY FUNDS. PEABODY WANTS TO BUILD A NEW COAL-FIRED POWER PLANT IN WESTERN KENTUCKY. THE PEABODY GROUP HAS PROPOSED A ONE- AND-A-HALF-BILLION DOLLAR PROJECT CALLED THE THOROUGHBRED ENERGY CAMPUS. [**05:10:01 AM**] IF THE PROJECT IS GIVEN THE GREEN LIGHT, THE PLANT WILL BE LOCATED NEAR CENTRAL CITY I ... JOINING US. LET'S CHECK IN WITH METEOROLOGIST BYRON DOUGLAS... WITH A FIRST LOOK AT YOUR STORM TEAM FORECAST. ((WEATHER TEASE)) SOME "FUEL" FOR THE SLUMPING))) [**05:34:13 AM**] ECONOMY IN WESTERN KENTUCKY. PEABODY COAL WANTS TO BUILD A COAL-FIRED POWER PLANT. THE SO-CALLED "THOROUGHBRED ENERGY CAMPUS" WOULD BE BUILT NEAR CENTRAL CITY IN MUHLENBERG COUNTY. THE UNDERGROUND MINE WOULD FUEL A 15-HUNDRED MEGAWATT GENE

FEB 12 2001

ST. LOUIS

7. KMOX-CBS

5:00PM

TOTAL INFORMATION PM 5-6PM

[05:36:00] ST. LOUIS BUSINESS JOURNAL REPORT **PEABODY** PLANS TO GO PUBLIC. R ST. LOUIS COULD BE THE HOME OF THE VANCOUVER GRIZZLIES. R MONSANTO HAD A 4TH QUARTER PROFIT. R

KMOX-CBS

7:00AM

TOTAL INFORMATION AM 7-8AM

[07:18:00] ST. LOUIS BUSINESS JOURNAL REPORT **PEABODY** COAL MAY GO PUBLIC. R OAKWOOD MEDICAL VENTURES HAS RAISED \$24 MILLION FOR ITS VENTURE FUND. AG EDWARDS, STEPEL NICHOLAS, EDWARD JONES HELPED RAISE THE MONEY. R ST. LUKE'S HOSPITAL IS PLANNING A BOND

9. KWMU-NPR

6:33AM

KWMU BIZ JOURNAL

[06:34:00] ST. LOUIS BUSINESS JOURNAL REPORT **PEABODY** COAL MAY GO PUBLIC. R SOUTHSIDE BANCSHARES IS BEING SUITORED FROM ALLIGIANT, COMMERCE & UNION PLANTERS. R ST. LUKE'S HOSPITAL PLANS BOND ISSUE AS IT LEAVES UNITY HEALTH. MOST OF THE MONEY WOULD REFU

LOUISVILLE, KY

WAVE-NBC
 12:00PM

Noon News

WILL SEEK THE DEATH PENALTY IN THIS CASE.. AND HAVE REOPENED THE DEATH INVESTIGATION OF A FOURTH CHILD THAT WAS ONCE RULED SIDS.. A NEW COALFIRED GENERATING PLANT IS IN THE WORKS IN WESTERN KENTUCKY.. THE PEABODY GROUP ANNOUNCED [**12:06:01 PM**] PLANS TO APPLY FOR A PERMIT FOR THE FACILITY.. THE PROJECT IS CALLED THOROUGHBRED ENERGY CAMPUS, AND WILL LOCATE IN CENTRAL CITY IN MUHLENGBERG COUNTY.. A SIX MILLION TON UNDERGROUND COAL MINE WILL FUEL THE PLANT ON LAND THAT BELONGS TO PEABODY.. AND COULD BE A HUGE BOOST FOR COAL PRODUCERS IN WESTERN KENTUCKY. THE BATTLE OVER ELECTRIC COSTS IN CALIFORNIA HEADS TO COURT TODAY.. STILL TO STILL TO COME AT NOON.. FIND OUT HOW THE GOLDEN STATE PLA

EVANSVILLE, IN

11. WEHT-ABC 10:00PM 10PMNews

Audience Estimate: 31,000

THEFT AND CLOSING HIS ACCOUNT. RHOADES NOW FACES FELONY CHARGES OF THEFT AND FORGERY. WHAT SOME CALL THE BIGGEST ECONOMIC DEVELOPMENT PROJECT IN MUHLENBERG COUNTY, KENTUCKY IN FOUR DECADES IS ON ITS WAY. THE **PEABODY** COAL COMPANY SAYS IT'S GOING TO BUILD A NEW UNDERGROUND COAL MINE NEAR CENTRAL CITY... AND USE THE COAL FROM THE MINE TO FUEL A NEW COAL FIRED POWER PLANT. IT ALL MEANS MORE THAN 400 NEW JOBS FOR MUHLEN ... LL REALLY HELP THE ECONOMY IN THIS COUNTY. WHICH YOU KNOW AFTER SEVERAL YEARS, THAT THE COAL MINES HAVE BEEN GOING DOWN HILL. SO THIS IS A BIG BOOST FOR OUR COUNTY." BUT IT WILL TAKE AWHILE TO GET GOING ... **PEABODY** SAYS IT WILL TAKE UP TO FIVE YEARS TO GET ALL THE NECESSARY STATE AND FEDERAL PERMITS. A COLD START TO THE WEEK... AND IT'S NOT LOOKING ANY [**10:11:00 PM**] BETTER... WET WEATHER COMING OUR WAY... WAYN

12. WEHT-ABC 6:00PM 6PMNews

Audience Estimate: 34.000

EXPECTED IN ABOUT THREE WEEKS. STATE POLICE ARE TREATING REUGERS DEATH AS SUSPICIOUS.))) IT'S BEING CALLED THE BIGGEST ECONOMIC DEVELOPMENT PROJECT IN MUHLENBERG COUNTY, KENTUCKY IN MORE THAN 40 YEARS. THE **PEABODY** COAL COMPANY SAYS IT'S GOING TO BUILD A NEW UNDERGROUND COAL MINE NEAR CENTRAL CITY... AND USE THE COAL FROM THE MINE TO FUEL A NEW COAL FIRED POWER PLANT. IT ALL MEANS MORE THAN 400 NEW JOBS FOR MUHLEN ... OUR COUNTY." JASON REIBER, MUHLENBERG COUNTY [**06:08:00 PM**] RESIDENT: "A LOT MORE POLLUTION AND STUFF, THAT'S WHAT I'M WORRIED ABOUT BECAUSE WE'VE ALREADY GOT TVA UP HERE. BUT JOB WISE, IT'LL BE GOOD."))) **PEABODY** EXPECTS IT TO TAKE UP TO FIVE YEARS TO OBTAIN ALL OF THE NECESSARY STATE AND FEDERAL PERMITS.))) THE POPULAR WEBSITE NAPSTER MUST STOP ALLOWING THE MILLIONS OF PEOPLE WHO USE ITS SERVICE TO SHARE COPYR

13. WEHT-ABC 5:00PM 5PMNews

Audience Estimate: 34,000

NEWS 25'S STEVE GIBSON IS LIVE IN THE NEWSROOM WITH THE STORY... /// IT'S BEING CALLED THE MOST IMPORTANT ECONOMIC DEVELOPMENT PROJECT IN [**05:02:00 PM**] MUHLENBERG COUNTY, KENTUCKY IN MORE THAN 40S. PEABODY GROUP SAYS IT HAS BEGUN THE APPLICATION PROCESS TO PROCEED WITH A SIX MILLION TON PER YEAR UNDERGROUND COAL MINE AT THIS SITE EAST OF CENTRAL CITY. MINE WILL THEN FUEL A 15 HUNDRED MEGAWATT COAL FIRED P ... MUHLENBERG COUNTY RESIDENT: "THE ECONOMY DOWN HERE IS NOT TOO GOOD, I KNOW THAT MUCH. BUT I DON'T THINK IT'LL HURT ANYWAY" THE POWER PLANT WOULD BURN THE HIGH SULFUR COAL WHICH IS FOUND IN THIS AREA. BUT PEABODY OFFICIALS SAY THE PLANT WOULD COMPLY WITH ALL STATE AND FEDERAL EMISSIONS STANDARDS. JASON REIBER, MUHLENBERG COUNTY RESIDENT: "A LOT MORE POLLUTION AND STUFF, THAT'S WHAT I'M WORRIED ABOUT BECAUSE WE'VE ALREADY GOT TVA UP HERE. BUT JOB WISE, IT'LL BE GOOD." PEABODY PLANS TO OPERATE THE UNDERGROUND COAL MINE, AND IS SEEKING A PARTNER TO MANAGE CONSTRUCTION AND OPERATION THE POWER PLANT. THE ENTIRE STATE AND FEDERAL PERMITTING PROCESS IS EXPECTED TO TAKE UP TO FIVE

14. WEVV-CBS 10:00PM

10PMNews

Audience Estimate: 11,000

ARE ON THE WAY... CBS-44 HAS AN EYE ON MUHLENBERG COUNTY... A NEW POWER PLANT WILL BE LOCATED NEAR CENTRAL CITY... AND ALONG WITH IT WILL COME HUNDREDS OF JOBS AND A MULTI-MILLION DOLLAR BOOM FOR THE AREA... PEABODY COAL MADE THE ANNOUNCEMENT THIS MORNING... THE ONE-POINT-FIVE BILLION DOLLAR THOROUGHBRED ENERGY CAMPUS WILL BE AN UNDERGROUND COAL MINE AS WELL AS A 15-HUNDRED MEGAWATT COAL BASED POWER PLANT... # A TR

15. WEVV-CBS 5:00PM 5PMNews

Audience Estimate: 12,000

THE NEWS IS NEXT... ## ((KELLY)) A NEW COAL BURNING POWER PLANT IN WESTERN KENTUCKY COULD BRING HUNDREDS OF NEW JOBS TO THE TRI-STATE... GOOD EVENING... I'M KELLY SUTTON... ((JOHN)) AND I'M JOHN DOBKEN... THE **PEABODY** GROUP HAS FILED FOR PERMITS TO BUILD A NEW COAL-BASED ELECTRICAL PLANT NEAR CENTRAL CITY, KENTUCKY. CBS 44 NEWS HAS AN EYE ON MUHLENBERG COUNTY... ALISON MONROE IS LIVE IN OUR OWENSBORO BUREAU WITH MORE ON WHAT THIS MEANS FOR YOU... PEABODY... THE WORLD'S LARGET COAL COMPANY... MADE THE ANNOUNCEMENT TO MUHLENBERG COUNTY RESIDENTS THIS MORNING... AND IT HAS THEM VERY EXCITED ABOUT THE FUTURE OF THEIR COMMUNITY... ((PKG)) PEABODY COAL TELLS ... MEANS FOR YOU... PEABODY... THE WORLD'S LARGET COAL COMPANY... MADE THE ANNOUNCEMENT TO MUHLENBERG COUNTY RESIDENTS THIS MORNING... AND IT HAS THEM VERY EXCITED ABOUT THE FUTURE OF THEIR COMMUNITY... ((PKG)) PEABODY COAL TELLS))) [**05:04:09 PM**] CBS-44 NEWS CONSTRUCTION IS SCHEDULED TO BEGIN THIS FALL AND THE PLANT'S EXPECTED TO BE UP AND RUNNING BY THE YEAR 2005... IF YOU HAVE ANY QUESTIONS OR ARE INTERESTED IN APPLYING FOR A JOB AT THE THOROUGHBRED ENERGY CAMPUS YOU CAN CONTACT PEABODY AT THE E-MAIL ADDRESS ON YOUR SCREEN... THOROUGHBRED ENERGY AT PEABODY GROUP DOT COM... REPORTING LIVE FROM THE OWENSBORO BUREAU... ALISON MONROE... CBS-44 NEWS... # AN EARLY MORNING SEARCH FOR A STOLEN VEHICLE ENDED HOURS LATER WHEN IT WAS FOUND NEAR THE OHIO RIVER, ENGUL

16. WFIE-NBC

10:00PM 10PMNews

Audience Estimate: 56,000

HEAT A THON. WHEN IT IS, HOW YOU CAN [**10:10:00 PM**] HELP, AND IT ALSO DIRECTS YOU TO AGENCY THAT CAN HELP YOU APPLY. WE HOPE YOU'LL READ IT, AND THEN JOIN US FOR THE 14 WFIE HEAT A THON, VALENTINE'S DAY. **PEABODY** COAL IS FILING PERMITS TO BEGIN CONSTRUCTION ON A POWER PLANT IN WESTERN KENTUCKY. THE THOROUGHBRED ENERGY CAMPUS WOULD BE BUILT NEAR CENTRAL CITY IN MUHLENBERG COUNTY. THE UNDERGROUND COAL MINE WOULD F

17. WFIE-NBC

6:00PM

Audience Estimate: 54,000

6PMNews

FIGHTING WITH SOMETHING SO BIG AND HEAVY [**06:01:02 PM**] AS THAT WAS --OH, GOD -- JUST TOO MUCH. REPORTER: BUT IT NEVER STOPPED HER. GOOD EVENING, I'M DAVID JAMES.))) I'M ANN KOMIS. [**06:02:00 PM**] **PEABODY** COAL WANTS TO BUILD A COAL-FIRED POWER PLANT IN WESTERN KENTUCKY. THE PROJECT IS CALLED THE THOROUGHBRED ENERGY CAMPUS AND WOULD BE BUILT NEAR CENTRAL CITY IN MUHLENBERG COUNTY. THE UNDERGROUND MINE WOU

18. WFIE-NBC

5:00PM

5PMNews

Audience Estimate: 54,000

WHEN YOU TALK ABOUT THE DEMAND FOR ENERGY...JUST LOOK AT CALIFORNIA AND THE PROBLEMS THEY'RE HAVING FINDING IT. IT'S EXPECTED THE DEMAND FOR ELECTRICITY WILL JUMP FORTY PERCENT OVER THE NEXT TWO DECADES. THE **PEABODY** COAL GROUP BELIEVES A SOLUTION TO THE PROBLEM LIES UNDERGROUND IN WESTERN KENTUCKY. ((POLITICIANS AND THE PEOPLE, EXCITED ABOUT A NEW COAL BURNING POWER PLANT COMING TO MUHLENBERG COUNTY. NEAR PEABODY'S GIBRALTER MINE PROPERTY: THEY PLAN TO BUILD AN UNDERGROUND COAL MINE TO FUEL A POWER GENERATING PLANT. 1.5 MILLION CUSTOMERS IN THE MIDWEST WILL GET THEIR POWER FROM THE COAL PLANT...WHICH IS [**05:03 ... POWER FROM THE COAL PLANT...WHICH IS [**05:03:02 PM**] MAKING A COMEBACK. THAT'S GOOD NEWS FOR A COUNTY WHERE COAL HAD BEEN KING. BUT AFTER DEMAND WENT DOWN FOR COAL IN THE EIGHTIES, UNEMPLOYMENT WENT UP:)) PEABODY HAS TO GET SOME STATE PERMITS O-K'D BEFORE THEY START BUILDING THEIR THOROUGHBRED ENERGY CAMPUS THIS FALL. A THOUSAND PEOPLE WILL BE EMPLOYED TO BUILD THE PROJECT...AND THEY'LL HIRE 500 PEOPLE WHEN IT OFFICIALLY OPENS IN 2005. SO WHY DID THE DEMAND FOR COAL DECLINE IN THE FIRST PLACE? A LOT OF ENVIRONMENTAL GROUPS COMPLAINED THE COAL PLANTS POLLUTED THE AIR TOO MUCH. BUT PEABODY SAYS NEW TECHNOLOGY CUTS DOWN ON THE NUMBER OF POLLUTANTS THAT GO INTO THE AIR. WHILE THINGS ARE LOOKING PRETTY GOOD ECONOMICALLY AROUND HERE [**05:04:00 PM**] RIGHT NOW--THERE ARE LAYOFFS ACROSS THE CO

19. WFIE-NBC

11:30AM

1130AMNews

Audience Estimate: 12,000

WILL IT GET? LET'S ASK METEOROLOGIST BYRON DOUGLAS WHO JOINS US WITH OUR FIRST LOOK AT THE FORECAST.. BYRON TOPPING OUR NEWS..))) [**11:34:04 AM**] A NEW POWER PLANT COULD BE COMING TO THE TRI-STATE. THE **PEABODY** GROUP ANNOUNCED IT WILL FILE AN APPLICATION FOR A PERMIT FOR A COALBASED ELECTRICITY-GENERATION PROJECT IN WESTERN KENTUCKY. THE PROPOSED PROJECT IS CALLED THE THOROUGHBRED ENERGY CAMPUS.. AND WOULD BE LOCATED NEAR CENTRAL CITY IN MUHLENBERG COUNTY. IT WOULD CONSIST OF A SIX MILLION TON UNDERGROUND COAL MINE THAT WOULD FUEL A 15-HUNDRED MEGAWATT GENERATING PLANT ON 45-HUNDRED ACRES OF PROPERTY CONTROLLED BY **PEABODY**. THE PLANT WILL EMPLOY 1-THOSUAND PEOPLE WHILE IT'S BEING BUILT.. THEN 500.. ONCE IT'S UP AND RUNNING. PRODUCTION IS SCHEDULED TO BEGIN IN 2005. OUR SCOTT ARNOLD IS IN CENTRAL CITY FOR THIS ANNOUNCEMENT

20. WTVW-FOX

9:00PM

9PMNews

Audience Estimate: 30,000

HERE." "WE'VE NEEDED IT FOR QUITE SOMETIME. COAL MINES HAVE GONE DOWN FOR QUITE SOME TIME. WE'VE ALWAYS DEPENDED ON COOL AND IT'S COMING BACK." IN CENTRAL CITY, KENTUCKY. AMY BUDNICK FOX 7 NEWS. CURRENTLY, PEABODY))) [**09:29:19 PM**] INTENDS TO MANAGE THE INITIAL PROJECT AND IS LOOKING FOR A PARTNER TO MANAGE PLANT CONSTRUCTION AND MINE OPERATIONS. THE DEVELOPERS WHO WANT TO BUILD A SUPER WAL-MART IN HENDERSON.

21. WTVW-FOX

6:00PM

6PMNews

Audience Estimate: 19,000

ENCOURAGES PEOPLE TO CALL THEIR CONGRESSMEN IF THEY WANT THIS BILL PASSED. WE ALSO HAVE A LINK ON OUR WEBSITE AT 7 ON YOUR SIDE DOT COM WHERE YOU CAN SIGN UP FOR THE NO CALL LIST. [**06:08:00 PM**] THE **PEABODY** GROUP ANNOUNCED TODAY IT'S PLANS TO BUILD A COAL-BASED POWER PLANT NEAR CENTRAL CITY, KENTUCKY. THE PLANT WILL BRING 15-HUNDRED NEW JOBS AND 83-MILLION DOLLARS IN ECONOMIC DEVELOPMENT TO THE AREA. THIS

Total Story Count:

21

Total Audience Estimate: 429,000

Need for Peabody plant questioned

By JOHN LUCAS, Courier & Press Western Kentucky Bureau

href='mailto:jlucas@evansville.net'>jlucas@evansville.net
jlucas@evansville.net
<a href='http://www.courierpress.com/cgi-bin/view.cgi?/200102/14+peabody021401_business.html+20010214

A local environmental watchdog group is questioning the advisability of building another coal-fired electric generating plant in the region.

Valley Watch president John Blair said Tuesday construction of the Peabody Group's proposed 1,500-megawatt plant in Western Kentucky would only add to the region's high ozone-level problems and environmental health-related issues.

"We have created an environmental nightmare, and this just adds to the mix," Blair said during an afternoon news conference in Evansville.

He questioned Peabody's ability to remove environmentally harmful emissions from the proposed plant.

Peabody announced plans Monday to build a power plant near Central City in Muhlenberg County and a new underground coal mine to supply it. Company spokesmen said the proposed plant's clean-coal technology would remove up to 99.9 percent of particulates and 97 percent of sulfur dioxide.

"Peabody's figures appear to be higher than those claimed by most current technology, and we want to know how they are claiming to achieve substantially higher rates of reduction," Blair said. "Coal is a filthy fuel from beginning to end."

Vic Svec, Peabody's vice president of public affairs, said the plant will be able to do so with "very modern equipment."

Blair, he said, has a history of opposing most forms of energy.

"The situation in California and elsewhere suggests that simply saying no to every type of energy that is practical and economic doesn't make for sound policy nor any type of long-term solution," he said.

Svec said the plant's equipment would remove nitrous oxide, a contributor to ozone pollution.

"The citizens of the region deserve to have good information about the emissions from the plant, and we are very proud of the environmental compliance that we intend to attain."

The company is making application to the Kentucky Natural Resources and Environmental Protection for a permit to develop the \$1.5 billion complex.

Natural Resources spokesman Mark York said Tuesday that members of the Cabinet's Division of Air Quality had met with plant consultants, but an application has not been filed.

Blair questioned why the plant, which will sell its power for the national electrical grid, should be built in Kentucky.

"Kentucky does not need the electricity the plant will generate," Blair said. "This unneeded plant will jeopardize our children's health for the energy benefit of people elsewhere."

The nation, Blair said, should conserve more energy. Eventually, Blair envisions a wireless environment where electrical power for homes and businesses is supplied by self-contained individual fuel cells.



BROADCAST TRANSCRIPT

Client: The Peabody Group

Date: 2/13/01

Station: WEVV-TV Evansville

Time: 5 PM

Program: News

Subject: Peabody Coal and

Valley Watch

ANCHOR: Valley Watch, a local environmental group, tells CBS 44 News this region has enough pollution from coal already and they don't want to see our air and water get any worse. CBS 44 News has an eye on Vanderburgh County. Alison Monroe is live with this story. Alison?

REPORTER: Peabody officials made the announcement yesterday to Muhlenburg County residents. The new plant will bring a thousand new jobs to the area during construction and 500 once completed, not to mention a multi-million dollar boom to the economy. However, not everyone thinks this is something to smile about. John Blair, Valley Watch Inc.

JOHN BLAIR (VALLEY WATCH): I can't help but wonder about the old John Prine song, "daddy won't you take me back to Muhlenburg County down by the Green River where paradise lay. Son you're too late in asking. Mr. Peabody's coal train done hauled it away".

REPORTER: Blair tells CBS 44 News, right now, Valley Watch is just raising questions about the types of technology Peabody will be using. At this point no legal action has been taken. Reporting live Alison Monroe CBS 44 News.

END

Energy Daily, 2/13/01

Peabody Pushing Monster Coal-Fired Power Project

Wanted: One intrepid power plant developer/operator to take on one of the biggest U.S. coal-fired electricity generation projects in recent memory.

That was the call that went out from Peabody Group Monday in announcing plans for a massive mine-mouth

plant in western Kentucky.

The announcement comes as U.S. utilities—stung by soaring natural gas prices—are tiptoeing around the idea of building new coal-fired electricity generation, which offers clear long-term cost advantages, but also brings environmental headaches.

Peabody Group, the world's largest private coal company, says it is willing to handle the environmental

issues.

It announced it will apply to Kentucky officials for air permits needed to proceed with the planned Thoroughbred Energy Campus on land the company already owns.

The project, to be located near Central City in Muhlenberg County, would include an underground mine capable of producing 6 million tons of coal per year to fuel the 1,500 megawatt plant.

Peabody said the plant was in "design development"

stage and that it was in discussions with several "prospective partners" about the size and scope of the project. Peabody did not identify the possible partners and said no definitive agreements had been reached.

Peabody said it would manage the initial permitting

for the project and mine operations.

It is looking for a partner that would manage construction and operation of the power plant and electricity

marketing.

The project was unveiled following a strategic decision by Peabody last year to cut back its international operations and focus on its core U.S. electricity market. Peabody coal fuels more than 9 percent of U.S. power generation.

Peabody last week announced a management restructuring aimed at focusing on growth, "providing new products and services to our customers and maximizing

results from our existing operations."

And in a corporate restructuring, the company Monday announced it planned an initial public offering of all its stock, with the proceeds to be used to retire debt.

—GEORGE LOBSENZ

DATE February 14, 2001

TIME 5:00-7:00 AM

STATION WFIE-TV (NBC) Channel Fourteen

LOCATION Evansville, Ind.

PROGRAM 14 WFIE Newswatch Sunrise

Dan Katz, co-anchor:

Plans for a coal-fired power plant in western Kentucky are under fire this morning from a local environmental group. Valley Watch doesn't agree with the Peabody Coal claim that new technology will make the Muhlenberg County plant friendly to the environment (clips shown of Peabody Coal signs and company locations).

John Blair (Valley Watch): But they—but it's not a hundred percent clean and it's not clean when it's mined and it's not clean when that waste that they say is making it clean is disposed of. You know, it's still a problem. Whether it's an air pollution problem or a solid waste problem, it's a problem.

Katz: Peabody has filed permits to build the plant and hopes to start generating electric power by the year 2005.

Please note: This story also aired on "14 WFIE Newswatch Sunrise" at 6:30 AM.

DATE February 13, 2001
TIME 6:00-6:30 PM
STATION WFIE-TV (NBC) Channel Fourteen

AUDIENCE 45,000

18,000

AUDIENCE

LOCATION Evansville, Ind.

PROGRAM 14 WFIE Newswatch at 6:00

David James, co-anchor:

And plans for a coal-fired power plant in western Kentucky are under fire from a local environmental group. Valley Watch doesn't agree with the <u>Peabody Coal</u> claim that new technology will make the Muhlenberg County plant friendly to the environment (clips shown of Peabody Coal signs and company locations).

John Blair (Valley Watch): ...but is it the truth? But they—but it's not a hundred percent clean and it's not clean when it's mined and it's not clean when that waste that they say is making it clean is disposed of. You know, it's still a problem. Whether it's an air pollution problem or a solid waste problem, it's a problem.

James: Peabody has filed permits to build the plant and hopes to start generating electric power by the year 2005.

LEDGER-INDEPENDENT

HAYSVILLE, KY TUESDAY 9,600 FEB 13 2001

Coal-fired power plant to be built in mining region

By KIMBERLY HEFLING

Associated Press

CENTRAL CITY—The Peabody Group said Monday it would build a coal-fired power plant in an economically depressed western Kentucky county that has seen a dramatic decrease in coal mining jobs.

The \$1.5 billion power plant project includes an accompanying underground mine in Muhlenberg County that will produce 6 million tons of coal annually for the 1,500-megawatt generating plant.

The plant is expected to open in 2005 and employ 500 people, said Roger B. Walcott Jr., executive vice president of St. Louis-based Peabody.

The announcement was hailed by Gov. Paul Patton, U.S. Sen. Mitch McConnell, R-Ky., and U.S. Rep. Ed Whitfield, R-

Ky., as a boon for the county and a sign that Kentucky's coal industry is still strong.

The company said the plant outside Central City will use environmentally friendly technology that abides by all state and federal regulations.

Peabody is providing rebirth to Muhlenberg County and also helping to solve energy problems, McConnell said.

"We're going to have more jobs.
We're going to have more opportunities. And yes, we're going to have more power for America,"
McConnell said. "We're not going to apologize about it.
We're not going to feel guilty about it."

MESSENGER

UNION CITY, TN TUESDAY 8,700 FEB 13 2001

\$1.5B coal-fired power plant to be built in western Kentucky

By KIMBERLY HEFLING Associated Press Writer

CENTRAL CITY, Ky. (AP)

— The Peabody Group said Monday it would build a coal-fired power plant in an economically depressed western Kentucky county that has seen a dramatic decrease in coal mining jobs.

The \$1.5 billion power plant project includes an accompanying underground mine in Muhlenberg County that will produce 6 million tons of coal annually for the 1,500-megawatt generating plant.

The plant is expected to open in 2005 and employ 500 people, said Roger B. Walcott Jr., executive vice president of St. Louisbased Peabody.

The announcement was hailed by Gov. Paul Patton, U.S. Sen. Mitch McConnell, R-Ky., and U.S. Rep. Ed Whitfield, R-Ky., as a boon for the county and a sign that Kentucky's coal industry is still strong.

The company said the plant outside Central City will use environmentally friendly technology that abides by all state and federal regulations.

Partly because of the development of the Internet, there is an increased demand for electricity in the United States and coal needs to be a viable part of handling the demand, McConnell said. Already, 55 percent of the nation's electricity and 98 percent of Kentucky's power comes from the use of coal.

The attitude that any way to produce electricity is harmful to the environment is misguided, McConnell said.

Peabody is providing rebirth to Muhlenberg County and also helping to solve energy problems, McConnell said.

"We're going to have more jobs. We're going to have more opportunities. And yes, we're going to have more power for America," McConnell said. "We're not going to apologize about it. We're not going to feel guilty about it."

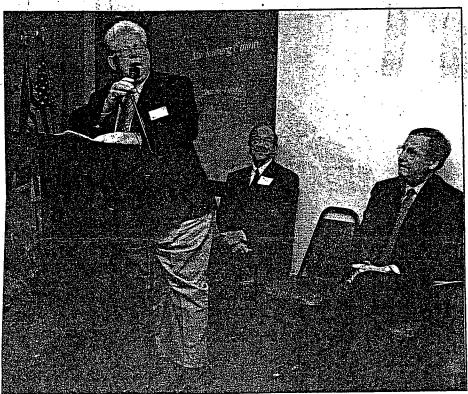
The Muhlenberg County plant will be a merchant plant and electricity generated will be sold wholesale on the grid to suppliers, Walcott said. It is estimated

it will provide power to 1.5 million households in Kentucky, Indiana, Ohio and Tennessee.

Peabody will take advantage of legislation passed in the 2000 General Assembly that provides tax incentives to burn Kentucky coal at utilities, Patton said.

Peabody once employed about 3,000 miners in Muhlenberg

Peabody Group announces plans to build \$1.5 billion generating plant at Central City



Central City Mayor Hugh Sweatt Jr. discussed the generating plant to be built in Muhlenberg County. Gov. Paul Patton, center, and Sen. Mitch McConnell were on hand for the announcement.

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Central City

By Kimberly Hefling ASSOCIATED PRESS

CENTRAL CITY - The Peabody Group said yesterday it would build a coal-fired power plant in an economically depressed Western Kentucky county that has seen a dramatic decrease in coal mining jobs.

The \$1.5 billion power plant project includes

an accompanying underground mine in Muhlenberg County that will produce 6 million tons of coal a year for the 1,500megawatt generating plant.

The plant is expected to open in 2005 and employ 500 people, said Roger B. Walcott Jr., executive vice president of St. Louis-based Peabody.

The announcement was hailed by Gov. Paul Patton, U.S. Sen. Mitch Mc-

Connell, R-Ky., and U.S. Rep. Ed Whitfield, R-Hopkinsville, as a boon for the county and a sign that Kentucky's coal industry is still strong.

The company said the plant outside Central City will use environmentally friendly technology that abides by all state and federal regula-

Partly because of the development of the In-

ternet, there is an increased demand for electricity in the United States and coal needs to be a viable part of handling the demand, McConnell said. Already, 55 percent of the nation's electricity and 98 percent of Kentucky's power comes from the use of coal.

The attitude that any way to produce electricity is harmful to the environment is misguided, McConnell said.

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Peabody will take advantage of legislation passed in the 2000 General Assembly that provides tax incentives to burn Kentucky coal at utilities, Patton said.

Tom FitzGerald, director of the Kentucky Resources Council, said he has not had time to review the company's proposal, but he said the environmental effects of having new power plants in the state is an issue that needs to be addressed.

LEXINGTON HERALD-LEADER 130,000 TUESDAY FEB 13 2001

> home. We kept the light on for you. that the Peabody Gro will build a plant there

He said Kentucky is an attractive place to build merchant coal-fired plants because of its proximity to the coalfields and because of tax incentives.

In the last year, at least two companies have announced plans to build power plants in the state, at least partly using coal waste.

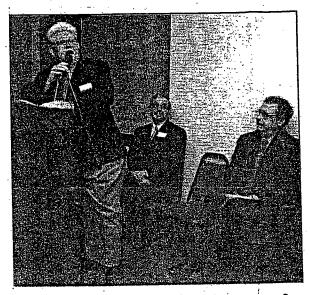
While there are economic benefits to building merchant power plants in Kentucky, by doing so you're essentially "centralizing pollution costs for other people's benefits," FitzGerald said.

Peabody has been mining coal in Muhlenberg County for half a century. In the early 1980s, more than 30 million tons of coal were mined in the area, but the number has dropped to 1 million in recent years. The company also went from employing 3,000 miners in the '80s in Kentucky — primarily in Muhlenberg and surrounding counties — to about 600 today.

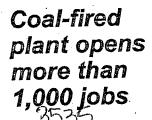
"Welcome home," Central City Mayor Hugh Sweatt Jr. said of Peabody at yesterday's an nouncement. "We kept the light on for you."

Patton to Peabody: Welcome back

MADISONVILLE, KY TUESDAY 10,900 FEB 13 2001



Central City Mayor Hugh Sweatt speaks to an overflow crowd Monday at the Career Advancement Center of Muhlenberg County during a formal announcement of a 1500 megawatt generating plant being located in the county by Peabody. The Thoroughbred Energy Campus will also include a 6 million ton-per-year underground coal mine on 4,500 acres controlled by Peabody near Central City. Listening to Sweatt's comments are Gov. Paul Patton, rear, and U.S. Sen. Mitch McConnell. (Messenger-Inquirer Photo)



BY DAVID BLACKBURN
Owensboro Messenger-Inquirer
Special to The Messenger

POWDERLY — In a building originally conceived as a place to retrain people for careers outside the coal mines, Gov. Paul Patton and other dignitaries Monday celebrated the announcement of a coal-fired power plant that will create more than 1,000 jobs.

"Welcome to Kentucky again," Patton told representatives of the project's developer, The Peabody Group, at a news conference in the new Career-Advancement Center of Muhlenberg County.

"We kept the light on for you," said Central City Mayor Hugh Sweatt Jr. before an estimated crowd of 400 local, state and federal representatives, media members and onlookers.

The \$1.5 billion

Thoroughbred Energy Campus will use about 6 million tons of high-sulfur coal annually from an underground mine that will be built on the former Gibraltar Coal Co. land by the Green River.

Accompanying the mine will be a 1,500-megawatt power plant. Its energy will be sold wholesale on the national grid.

"With this announcement, we

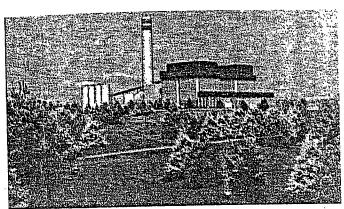
hope we will advance a lot of careers in Muhlenberg County," said Judge-Executive Rodney Kirdey

"Thave long appreciated what it (coal) means to our commonwealth and what it means to our people," Patton said.

Peabody will initially assume responsibility for getting permits until it finds a partner who will

be responsible for the construction and operation of the plant, as well as marketing the power, said Roger D. Walcott, Peabody's executive vice president.

The decision on a partner will not be announced for another one to two months, Walcott said, adding that Peabody is in negotiations with several companies.



Artist's rendering of the Peabody Coal Thoroughbred Energy Campus

But he hopes a decision is made soon.

"We'd like the partner involved in a number of the key decisions around the plant," Walcott said after the half-hour news conference.

One of those decisions probably will be whether the mine and power plant will employ union or nonunion workers, said Beth Sutton, a manager with Peabody's public affairs department.

The plant is expected to create 1,000 jobs with an annual direct economic benefit of more than \$75 million during the estimated four-year construction phase, Walcott said.

The plant and mine, once operating, will create 500 jobs and an additional \$80 million benefit in wages and taxes, Walcott said. The plant will generate enough electricity to power 1.5 million homes.

Wayne Brown of Greenville, a welder for 13 years at Peabody's River Queen Surface Mine until being laid off in 1987, welcomed the news, but he was unsure afterward how or if it would benefit him.

Brown is on Peabody's panel, a list of laid-off miners from which jobs are filled according to seniority. But he wanted to know if panel members will be offered a job in the plant's construction or as a permanent employee once it is built.

employee once it is built.

"We hope we'll see several miners go back to work," said Steve Earle of Greenville, the political action director and a lobbyist for the United Mine Workers of America in Kentucky and Tennessee. "I hope this is a business venture we can all prosper from."

Kenny Allen, Peabody's Midwest operations manager and chairman of the Kentucky Coal Association, said miners will not be hired until late 2003 or early 2004.

"That's best case," he said.
"Permitting will dictate when we start things."

Bobby Allen Jr. 'ef Drakesboro, a member of the AFL-CIO's carpenter's Local 549 in Owensboro, was curious and optimistic about the work force. "Quite a few of them (construction jobs at the plant) will be carpenters, I'd say," said Allen. The announcement "is outstanding," Allen added.

LOGAN BANNER

LOGAN, WV TUESDAY 10,056 FEB 13 2001

Coal-fired power plant to be built in slumping Kentucky mining region

CENTRAL CITY, Ky. (AP)

— The Peabody Group said Monday it would build a coal-fired power plant in an economically depressed western Kentucky county that has seen a dramatic decrease in coal mining jobs.

The \$1.5 billion power plant project includes an accompanying underground mine in Muhlenberg County that will produce 6 million tons of coal annually for the 1,500-megawatt generating plant.

The plant is expected to open in 2005 and employ 500 people, said Roger B. Walcott Jr., executive vice president of St. Louis-based Peabody.

The announcement was hailed by Gov. Paul Patton, U.S. Sen. Mitch. McConnell, R-Ky., and U.S. Rep. Ed Whitfield, R-Ky., as a boon for the county and a sign that Kentucky's coal industry is still strong.

The company said the plant outside Central City will use environmentally friendly technology that abides by all state and federal regulations.

Partly because of the development of the Internet, there is an increased demand for electricity in the United States and coal needs to be a viable part of handling the demand, McConnell said. Already, 55 percent of the nation's electricity and 98 percent of Kentucky's power comes from the use of coal.

The attitude that any way to produce electricity is harmful to the environment is misguided, McConnell said.

Peabody is providing rebirth to Muhlenberg County and also helping to solve energy problems, McConnell said.

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Peabody will take advantage of legislation passed in the 2000 General Assembly that provides tax incentives to burn Kentucky coal at utilities, Patton said.

Tom FitzGerald, director of the Kentucky Resources Council, said he has not had time to review the company's proposal, but he said the environmental effects of having new power plants in the state is an issue that needs to be addressed.

He said Kentucky is an attractive place to build merchant coal-fired plants because of its proximity to the coalfields and because of tax incentives.

USA TODAY

WASHINGTON, DC TUESDAY 1,758,477 FEB 13 2001

Kentucky: Central City 3. The Peabody Group said it will seek a state permit to build an electricity generating plant in western Kentucky. The \$1.5 billion Thoroughbred Energy Campus will be located near Central City in Muhlenberg County. A 6 million-ton underground coal mine will fuel the 1,500-megawatt generating plant. The facility would open in 2005 and employ 500 people, Peabody said.





February 13, 2001

For Release at 3:00PM

Serious questions remain regarding Peabody's Muhlenburg Coal Plant

Valley Watch, formed in 1981 to "protect the Public Health and Environment of the lower Ohio Valley" seeks answers to a number of questions concerning Peabody's announcement yesterday of its intent to build a new coal fired power plant in Muhlenburg County, KY.

Claims of "clean" coal are usually specious. Coal is filthy at every stage of its cycle from being mined, then burned, to the disposal of its considerable waste. By calling it clean, proponents speak only of their use of technology to capture some pollutants that would otherwise go into the air. The resulting waste from this combustion produces huge volumes of toxic forming sludge which must be dealt with as solid waste. No reports, we have read indicate anything about the type of technology that will be used at the facility.

In announcing the Muhlenburg plant, proponents acted as if this was the best possible news. Unfortunately, they failed to report the myriad human health costs that could result from the addition of this plant to our local environment. This plant will cause an increase in the level of ozone, sulfates, fine particles and mercury regardless of how clean they claim it will be. And, for what?

First, Kentucky certainly does not need the electricity the plant will generate. It already exports much of the electrical energy it produces. This unneeded plant will jeopardize our children's health for the energy benefit of people in New York or New Jersey so they can have clean growth while we get their waste. Where will this power be consumed and how will it be transported to its destination?

Secondly, no reports have given the exact level of a variety of pollutants the plant will release. We must know exact levels of PM, SO2, NOX, CO2 and mercury this plant will emit in order to make an accurate determination as to whether this can be listed as positive or negative development. One thing is certain, it will mean an increase in the levels of those pollutant in a region already saturated with pollution. We also want to know the levels of other hazardous air pollutants like arsenic.

Third, we need to know precisely what technology will be used to capture these pollutants and exactly where this technology has been employed and demonstrated. Peabody's figures quoted in the media appear to be higher that those claimed by most current technology and we want to know how they are claiming to achieve substantially higher rates of reduction.

Fourth, we want to know how they are going to control their mercury emissions. Mercury is an insidious pollutant that can exact a horrible price on our kids development both mentally and physically. Already, mercury from the burning of coal has caused Fish Consumption Advisories in both Indiana and Kentucky warning children and women of child bearing age to severely limit their consumption of fish from Indiana and Kentucky waters.

Fifth, we seek exact answers on the financing of this plant. Is government, at any level helping to finance it? If so, to what extent and by which agencies? If it is being financed privately, who will be the responsible party should something go wrong?

Sixth, what will be the efficiency of this technology? Most coal burners, new and old allow as much as fifty percent of the energy they consume to escape, either up the stack or through the cooling tower resulting in very poor efficiency, and wasting untold quantities of energy.

Seventh, we want to know who will work in the mine and the power plant. Will it be members of the UMWA mining the coal? Will it be members of the organized building trades constructing the plant? And, will workers in the finished plant be allowed to organize? Peabody's history of human exploitation of workers demands that these workers have a right to organize.

Valley Watch, believes this region has already paid too high a price to burn coal. We sit in the largest concentration of coal fired power plants in the world which has resulted

in increased disease and death from a multitude of pollutants.

We would find this proposal more amenable if this plant was to replace some of the older, dirty coal power plants in the region. It will not do that, instead, it will just add to the pollution mix which we assert is already at the saturation point.

The fuel cycle for coal is dirty at every level. It leaves a legacy of ill health for workers and communities. Prospects for clean coal sounded good two decades ago, But Valley Watch believes we must find better ways to answer our energy needs. Conservation and energy efficiency are sure fired and relatively quick ways to gain the same energy requirement as the build and burn debacles of the past.

The real question here is: Do we move forward or move backward?

Mercu, 10pe ior revival

Dismissing rumors of its at the Chicago Auto Show. sion confidently rolled out five new models last week Motor Co.'s Mercury divimminent demise, Ford Pege B10

The Courier-Journal

www.courier-journal.com

uesday, February 13, 2001

E-mail: mjupsall@courier-journal.com Phone: 582-4651 / Fax: 582-4360 Editor: Michael J. Upsall

Jobs, pollution may both grow

By DAVID GOETZ

The Courier-Journal

vesterday that it will build a nomically depressed Muhlen-The Peabody Group, a St. power plant in eco-Louis-based energy company with extensive holdings in Western Kentucky, announced coal-fired

lant opening in

year for sale on the nation's ,500 megawatts of electricity a berg County. The \$1.5 billion plant will be with an annual capacity of 6 million tons. It will generate puilt next to an existing mine

he project will create about 1,000 jobs between the start of oower markets.

stricter polluion controls mand for the region's highsulfur coal limited

county. I think we're going to ick up here and around the come from being a ghost town, rid Rhoades, "Business will entral City Administrator Da fle The nact will be phenomenal

the Kentucky Resources But Tom FitzGerald, director Council, raised concerns that Kentucky may pay the price in ind others proposed around te said Kentucky is an attractive place to build "merpower plants that are intended to supply the overall

shundant coaffields and tax in-While there are economic because of the state's energy grid, and not meet local centives for the use of Ken-

costs for other people's benecrefits to building these merchant power plants in Kensentially "centralizing pollution

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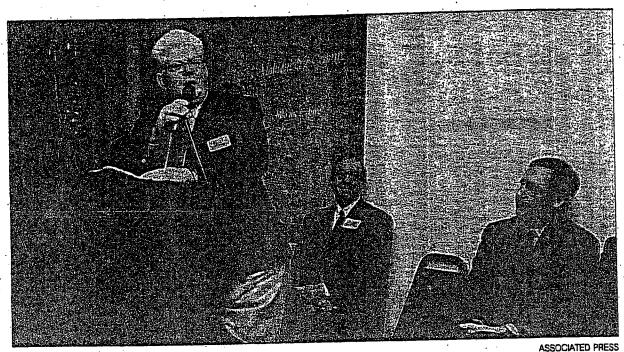
niners and power-plant workreate 500 pernanent jobs for any said. It will

so to speak, to one of the top Local officials hailed the county that once held thousands of mining jobs. Most of those jobs were lost when plant as an economic boon to a

productive counties in the

he state to meet the nation's pollution for the Peabody plant growing demand for electricity

by doing so you're es-



Central City Mayor Hugh Sweatt Jr. spoke in favor of the \$1.5 billion power plant as Gov. Paul Patton, center, and Sen. Mitch McConnell looked on. The plant will be next to a Muhlenberg County coal mine.

Coal-fired plant is planne

Continued from Back Page

fits," FitzGerald said.

FitzGerald called on state government to analyze the potential effects on public health and Kentucky's environment of what he sees as an economic colonization of the state's coal resources.

"Nobody is paying a whole lot of attention to the environmental consequences and the action we need to take to make sure we aren't being colonized in the bad sense," he said.

Art Williams, director of the Air Pollution Control District of Jefferson County, said the new plant could have an impact on efforts of metropolitan Louisville to meet federal air-pollution guidelines.

ity, Williams said. "I'm hopeful Peabody will use the best (anti-pollution) techniques available and won't affect our efforts to come into attainment.'

The announcement was hailed by Gov. Paul Patton, U.S. Sen. Mitch McConnell, R-Ky., and U.S. Rep. Ed Whitfield, R-Ky., as a boon for Muhlenberg and a sign that Kentucky's coal industry is still strong.

The attitude that producing electricity is necessarily harmful to the environment is misguided, McConnell said, and Peabody is providing rebirth to Muhlenberg County.

"We're going to have more jobs. We're going to have more opportu-Nitrous oxide emissions from an nities. And yes, we're going to have existing Tennessee Valley Authority more power for America," McCon-

plant in the same county drift down-wind to affect Louisville's air qual-gize about it. We're not going to feel guilty about it."

Peabody has been mining coal in Muhlenberg County for half a century. In the early 1980s, more than 30 million tons of coal a year were mined in the area, but the number has dropped to 1 million in recent years. The company also went from employing 3,000 miners in the 1980s in Kentucky — primarily in Muhlenberg and surrounding counties - to about 600 today.

"Welcome home," said Central City Mayor Hugh Sweatt Jr. "We kept the light on for you."

The Associated Press contributed to this story.



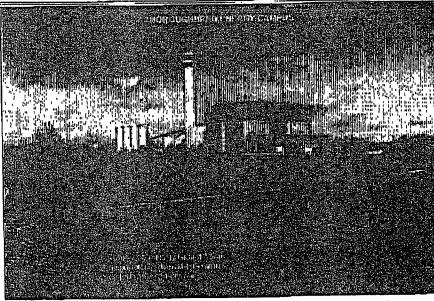
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Tuesday, February 13, 2001

Peabody to build \$1.5 billion plant



▼ This image, taken from Peabody Coal's web site, shows the Thoroughbred Campus facility that will be built in Muhlenberg County. The \$1.5 billion coal-burning "merchant" plant will supply electricity to the national power grid and will also its own on-site mine.

By JOHN LUCAS
Courier & Press staff

CENTRAL CITY, Ky. -Western Kentucky's sagging coal
industry got a boost Monday
when the Peabody Group
confirmed it will build a \$1.5
billion coal-fired electric

generating plant in Muhlenberg County.

Peabody will also develop a new underground mine there to supply the six million tons of coal the 1,500 megawatt plant will burn annually.

It will produce enough electricity to power 1.5 million residences.

When it becomes operational in 2005, the complex is expected to provide jobs for about 500 people, with 350 to 400 of those jobs at the mine and the remainder in the power plant. The complex is projected to have an annual payroll of \$80 million.

Peabody officials on Monday confirmed widely circulating rumors of the planned power plant to a standing-room-only crowd, which packed into Muhlenberg County's new Career Advancement Center.

Among those attending were Kentucky Gov. Paul Patton, U.S. Sen. Mitch McConnell and U.S. Rep. Ed Whitfield, all of whom noted the current shortage of electricity in California and touted the region's coal as a key ingredient for national energy sufficiency.

"We believe coal is again king in Kentucky," said Peabody Executive Vice President Roger B. Walcott.

"Our plans are part of a renewed investment in electricity from coal.

Interest in constructing new coal-based generation is growing at what's been called 'an eye-popping rate.' "

The development will be named the Thoroughbred Energy Campus, and will be located on Peabody's 4,500-acre Gibraltar mine property just east of Central City.

Coal produced by the mine would move directly to the power plant by conveyor belt, eliminating transportation costs. Presently, most coal moves from distant mines to power plants by barge or rail.

The company is in the process of applying for state air quality permits for a coal-fired plant. When operational, it will be known as a "merchant plant," not subject to price regulation by the Kentucky Public Service Commission. It's power will be sold wholesale through the national electrical grid to meet demand across the country.

Peabody will seek a partner to manage and operate the power plant and sell the electricity. Company officials said Monday that partner has not been established.

Walcott said the new plant, which will employ about 1,000 tradesmen during construction, will use new technology to remove most harmful smokestack emissions from the region's high sulfur coal.

It will be "the cleanest coal plant east of the Mississippi," Walcott said. It's pollution control equipment will be designed to remove 97 percent of sulfur dioxide emissions, 75 percent of nitrous oxide and 99.9 percent of all particulates.

Both Whitfield and McConnell said they believe development of a national energy policy by the new Bush Administration would be more friendly to coal.

"For the last eight years in Washington, it has not been an environment friendly to the use of coal," Whitfield said, citing federal EPA lawsuits against most major coal-fired utilities for smokestack emissions.

"It is our hope that as we move forward that the American people will realize along with those of us in government that coal does produce 55 percent of the electricity used in America today and nuclear 20 percent," the congressman said.

"We cannot meet the demands of the American people or of industry in America without the use of coal," he said.

Peabody's power plant, McConnell said, is "going to bring a kind of rebirth to Muhlenberg County. We're going to have more jobs. We're going to have more opportunity.

And, yes, we're going to have more power for America. We're not going to apologize about it. We're not going to feel guilty about it." Central City Mayor Hugh Sweatt noted the county has had a long association with Peabody Coal Co. "Peabody Coal Co. and Muhlenberg County were synonymous with each other," Sweatt said. "When you thought of one, the other also came to mind — and rightfully so." The mayor noted that Peabody is the world's leading coal-producing company and Muhlenberg County in the 1980s led the world in coal production with some 2,600 miners, a number which has since dwindled to fewer than 200.

Patton, an Eastern Kentucky coal operator before entering politics, said the development would provide for "high quality jobs -- jobs you can raise a family on."

"For the first time in 10 years, coal is not a four-letter word," said Joseph Angleton, president of the United Mine Workers of America District 12.

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Tuesday, February 13, 2001

Giant coal producer to sell stock

By CHUCK STINNETT Gleaner staff

For the first time in at least a generation, you may be able to own a piece of Mr. Peabody's coal company.

Peabody Group announced late Monday afternoon it intends to sell \$100 million of stock to the public under its official, but little-known, name: P&L Coal Holdings Corp.

The St. Louis-based company issued only a three-paragraph news release on the matter, and spokesmen could not be reached for comment.

Even the nearly 200-page registration it filed with the federal Securities and Exchange Commission left plenty of uncertainties, such as when the stock will be put on sale.

Its initial offering price has not been determined, nor the number of shares, and its ticker symbol on the New York Stock Exchange has yet to be assigned.

But P&L made clear that even after the stock sale, its current owner -- Lehman Brothers Merchant Banking Partners, a New York investment fund -- will remain firmly in charge.

The portion of the SEC registration that specified what percentage of stock Lehman Brothers would retain was blank.

But, it said, "Lehman Brothers Merchant Banking will continue to be able to control the election of our directors and determine our corporate and management policies, including potential mergers or acquisitions, asset sales and other significant corporate transactions."

In addition, Lehman Brothers Inc. will serve as the lead managing underwriter for the stock offering.

P&L indicated that it hopes to raise \$92.5 million from the sale of stock to help pay down some long-term debt -- a portion of which is owed to Lehman Commercial Paper Inc.

The announcement comes at a busy time for P&L.

It is in the process of selling off its money-losing electricity broker, Citizens Power, and just two

weeks ago completed the sale of its Australian mining operations for \$455 million.

Last week, it announced a series of mid-level management changes, including assigning a former Australian coal executive to oversee its western Kentucky coal mines.

Then on Monday, Peabody announced an amibitious project: It is designing a big \$1.5 billion power plant on its property in Muhlenberg County that would burn 6 million tons of coal per year.

The plant would sell power to utilities in the region that are running short of power. Peabody is hoping to find a partner to manage the construction and operation of the plant as well as the sale of its electricity.

The stock sale, if it is consummated, would evidently not be the first time the public could own shares of Peabody. Its stock was listed on the Chicago Stock Exchange in 1929, according to a company history, and was on the New York Stock Exchange by 1949.

But for for the past one-third of a century, it has been owned by a series of corporations: Copper and gold mining firms, engineering and energy companies, a British industrial conglomerate and, since 1998, by the Lehman Brothers investment fund.

Long the nation's largest coal producer, it is also the world's largest private-sector coal company.

It today operates mines stretching from Wyoming to West Virginia.

While Peabody over the years has closed many of its Midwestern high-sulfur mines, it remains a giant.

A year ago, its sales totaled \$2.6 billion, with net profits totaling \$118.6 million, according to the SEC filing.

Though it has cut its manpower from 10,600 people in 1990 to 6,000 today, Peabody Group has nearly doubled its sales volume to 179 million tons.

Three out of every four of those tons were low-sulfur coal, which might more easily meet ever-tougher federal air pollution laws.

Peabody has nearly doubled its reserves of low-sulfur coal over the past 10 years, and boosted low-sulfur sales volume 21 2-fold.

Peabody has also tripled productivity. Through the use of giant surface mines and other productivity gains, Peabody today produces 106 tons of coal per miner's shift, up from 33 tons a decade ago

That has enabled it to slice its costs. In 1990, it cost Peabody \$19.33 to produce and sell a ton of coal; now, it costs only \$11.28.

Change is a familiar theme at Peabody

In its 118 years, Peabody Coal has known a lot of owners, and has had varying impacts on the Henderson-Union county area.

In the mid-1980s, Peabody Coal called Henderson its home, with 260 executives and staff at its headquarters overlooking the cloverleaf here, while 1,500 miners worked at it the three mines of the Peabody Camp Complex in Union County.

Today, two of those three mines have closed, and a third, Camp 11, is on its last legs. (However, Peabody says a sister company, Highland Mining Co., will open a new mine near Waverly in 2002.)

Peabody has long since closed its headquarters in Henderson, too. It moved most of its staff out of town in the early 1990s, and sold its big building in 1995. Today, a portion of the the sprawling complex in the process of being remodeled into the Henderson police station.

Peabody has undergone changes of its own. Seemingly in a constant state of restructuring, it has been through a series of owners on both sides of the Atlantic. At various times, it has been a sister company to Boeing, the aircraft maker; the Equitable Life Assurance Society; and the Jacuzzi whirlpool company.

In just the past two weeks, it has sold off its Australian mining subsidiary, undergone a mid-level management restructuring and announced its hopes to build a giant power plant in western Kentucky.

Now, Peabody appears headed for Wall Street; the company says it will sell stock in an upcoming initial public offering.

Here is a capsule look at Peabody, including highlights of its role in the Henderson area:

1883: 24-year-old Francis S. Peabody and a partner form Peabody, Daniels and Co. in Chicago as a small retail coal business. Peabody buys out his partner in 1885.

1890: Peabody Coal Co. is incorporated.

1895: Peabody opens its first coal mine, Mine 1 near Snider in southern Illinois.

1905: Peabody Coal begins acquiring thousands of acres of coal reserves.

1922: Francis Peabody is succeeded by his son, Stuyvesant.

1929: Peabody Coal stock is listed on the Chicago Stock Exchange

1946: Francis Peabody's grandson, Stuyvesant Jr., takes over the company.

1949: Peabody Coal stock listed on the New York Stock Exchange.

1955: Peabody Coal merges with Sinclair Coal Co., a large surface mining company in Kansas City, Mo., owned by three brothers named Kelce. Peabody retains its name, but its leadership falls to the Kelces.

1957: Merl Kelce takes the help of Peabody following the death of his brother, Merl, and proceeds to build it into the nation's largest coal producer.

1968: Kennecott Copper Corp. buys Peabody. But the Federal Trade Commission rules that the acquisition violates federal antitrust laws, and after lengthy litigation, Kennecott agrees in 1976 to sell Peabody.

1969: The Tennessee Valley Authority signs contracts with Peabody Coal to develop what will become the Camp Complex -- three underground mines, a coal washing plant and other facilities -- near Morganfield. At its peak in the mid-1980s, the Camp Complex employs 1,500.

1977: A new company, Peabody Holding Co. Inc., buys Peabody Coal's stock for \$1.1 billion. Peabody Holding is owned by six companies: Newmont Mining Corp., The Williams Cos., Bechtel Investments Inc., The Boeing Co., Fluor Corp. and the Equitable Life Assurance Society.

1980: Peabody Coal, now a subsidiary of Peabody Holding, builds a headquarters in Henderson for it Eastern Division.

1983: Peabody celebrates its 100th anniversary.

1985: Unhappy with the price it pays Peabody, TVA moves to close the Camp Complex. Political pressure saves the complex, but the work force is sliced in half, to about 750 people.

1986: Peabody doubles the size of its offices here and makes Henderson the headquarters for Peabody Coal under then-president Howard Williams. At its peak, 260 executives, engineers and support staff are based here.

1989: Williams retires, and Peabody begins moving key personnel back to St. Louis.

1990: Hanson PLC, a British conglomerate, acquires Peabody for about \$1.2 billion in a series of purchases from owners Boeing Co., Bechtel Investments Inc., Eastern Enterprises and Newmont Mining Corp. Hanson's other holdings ranged from Jacuzzi Whirlpool Bath and Spa Products to Kaiser Cement.

1992: Peabody closes the Camp No. 2 mine near Morganfield.

1995: Peabody says it will close its former Henderson headquarters, transferring or laying off the last 50 or so employees, and sells the 74,000-square-foot building.

1990s: Peabody acquires Patriot Coal Co. in Henderson County.

1997: Hanson PLC spins off Peabody and a British cousin into a new company, The Energy Group of London.

1998: The Energy Group is purchased by Texas Utilities Co., which immediately sells off Peabody for \$2.3 billion to Lehman Brothers Merchant Banking Partners, an investment fund.

2000: The city of Henderson buys half of the former Peabody headquarters here for its new police station.

2000: Peabody closes the second Camp Complex mine, Camp No. 1, leaving only Camp 11 operating. It, too, is expected to close in 2002, but Peabody Group says it will open a new mine, Highland, near the Union-Henderson county line in 2002.

2001: Peabody Group announces plans for an initial public offering, selling stock to the public under its legal name, P&L Coal Holding Corp.

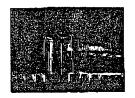
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Evansville Courier & Press

Tuesday, February 13, 2001

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- Latest News
- News
- Sports
- Prep Sports
- Features
- · Business & Tech
- · Area Deaths
- Yellow Pages
- Kentucky News
- APNews Wire
- Archives
- Area Guide
- Announce.com
- Chat
- Classifieds
- Event Calendar
- Community Voice
- Computers
- Crime MapsFalth & Values
- Fastrak
- Food
- Forums
- Health News
- Internet Guide
- Kids Zone
- Movies
- Personals
- Photography
- Police Scanner
- Relationships
- School Lunch
- Shopping
- TV Listings
- Weather
- Customer Service
- Contact Us
- Billing Questions

Special

- Coupons
- HealthWise
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News Article

Courier News/Services



Coal may be king again

\$1.5 billion power plant to provide jobs for 500

By JOHN LUCAS, Courier & Press Western Kentucky Bureau (270) 333-4899 or jlucas@evansville.net

CENTRAL CITY, Ky. — Western Kentucky's sagging coal industry got a boost Monday when the Peabody Group confirmed it will build a \$1.5 billion coal-fired electric generating plant in Muhlenberg County.

Peabody will also develop a new underground mine there to supply the 6 million tons of coal the 1,500 megawatt plant will burn annually.

It will produce enough electricity to power 1³ million residences.

When it becomes operational in 2005, the complex is expected to provide jobs for about 500 people, with 350 to 400 of those jobs at the mine and the remainder in the power plant. The complex is projected to have an annual payroll of \$80 million.

Peabody officials Monday confirmed widely circulating rumors of the planned power plant to a standing-room-only crowd, which packed into Muhlenberg County's new Career Advancement Center. Among those attending were Kentucky Gov. Paul Patton, U.S. Sen. Mitch McConnell and U.S. Rep. Ed Whitfield, all of whom noted the current shortage of electricity in California and touted the region's coal as a key ingredient for national energy sufficiency.

"We believe coal is again king in Kentucky," said Peabody Executive Vice President Roger B. Walcott.

"Our plans are part of a renewed investment in electricity from coal. Interest in constructing new coal-based generation is growing at what's been called 'an eyepopping rate."

The development will be named the Thoroughbred Energy Campus, and will be located on Peabody's 4,500-acre Gibraltar mine property just east of Central City.



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Coal produced by the mine would move directly to the power plant by conveyor belt, eliminating transportation costs. Currently, most coal moves from distant mines to power plants by barge or rail.

The company is in the process of applying for state air quality permits for a coal-fired plant.

When operational, it will be known as a "merchant plant," not subject to price regulation by the Kentucky Public Service Commission. Its power will be sold wholesale through the national electrical grid to meet demand across the country.

Peabody will seek a partner to manage and operate the power plant and sell the electricity. Company officials said Monday that partner has not been established.

Walcott said the new plant, which will employ about 1,000 tradesmen during construction, will use new technology to remove most harmful smokestack emissions from the region's high sulfur coal.

It will be "the cleanest coal plant east of the Mississippi," Walcott said. Its pollution control equipment will be designed to remove 97 percent of sulfur dioxide emissions, 75 percent of nitrous oxide and 99.9 percent of all particulates.

Whitfield and McConnell said development of a national energy policy by the new Bush administration would be more friendly to coal.

"For the last eight years in Washington, it has not been environment friendly to the use of coal," Whitfield said, citing federal EPA lawsuits against most major coal-fired utilities for smokestack emissions.

"It is our hope that as we move forward that the American people will realize, along with those of us in government, that coal does produce 55 percent of the electricity used in America today and nuclear 20 percent," the congressman said.

"We cannot meet the demands of the American people or of industry in America without the use of coal," he said.

Peabody's power plant, McConnell said, is "going to bring a kind of rebirth to Muhlenberg County. We're going to have more jobs. We're going to have more opportunity.

And, yes, we're going to have more power for America.

We're not going to apologize about it. We're not going to feel guilty about it."

Central City Mayor Hugh Sweatt noted the county has had a long association with Peabody Coal Co.

"Peabody Coal Co. and Muhlenberg County were synonymous with each other," Sweatt said. "When you thought of one, the other also came to mind — and rightfully so."

The mayor noted that Peabody is the world's leading coal-producing company and Muhlenberg County in the 1980s led the world in coal production with some 2,600 miners, a number which has since dwindled to fewer than 200.

Patton, an Eastern Kentucky coal operator before entering politics, said the development would provide for "high quality jobs — jobs you can raise a family on."

"For the first time in 10 years, coal is not a four-letter word," said Joseph Angleton, president of the United Mine Workers of America District 12.

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BACK TO TOP

HARLAN, KY TUESDAY 6,690 FEB 13 2001

Peabody plans coal-fired power plant

Muhlenberg plant to employ 500 when it opens in 2005

By KIMBERLY HEFLING

Associated Press Writer

CENTRAL CITY, Ky. (AP) — The Peabody Group said Monday it would build a coal-fired power plant in an economically depressed western Kentucky county that has seen a dramatic decrease in coal mining jobs.

The \$1.5 billion power plant project includes an accompanying underground mine in Muhlenberg County that will produce 6 million tons of coal annually for the 1,500-megawatt generating plant.

The plant is expected to open in 2005 and employ 500 people, said Roger B. Walcott Jr., executive vice

president of St. Louis-based Peabody.

The announcement was hailed by Gov. Paul Patton, U.S. Sen. Mitch McConnell, R-Ky., and U.S. Rep. Ed Whitfield, R-Ky., as a boon for the county and a sign that Kentucky's coal industry is still strong.

The company said the plant outside Central City will use environmentally friendly technology that abides by all state and federal regulations

Partly because of the development of the Internet, there is an increased demand for electricity in the United States and coal needs to

be a viable part of handling the demand, McConnell said. Already, 55 percent of the nation's electricity and 98 percent of Kentucky's power comes from the use of coal.

The attitude that any way to produce electricity is harmful to the environment is misguided, McConnell said.

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"We're going to have more jobs.
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McConnell said. "We're not going to apologize about it. We're not going to feel guilty about it."

Peabody will take advantage of legislation passed in the 2000 General Assembly that provides tax incentives to burn Kentucky coal at utilities, Patton said.

Tom FitzGerald, director of the Kentucky Resources Council, said he has not had time to review the company's proposal, but he said the environmental effects of having new power plants in the state is an issue that needs to be addressed.

He said Kentucky is an attractive place to build merchant coal-

fired plants because of its proximity to the coalfields and because of tax incentives.

In the last year, at least two companies have announced plans to build power plants in the state, at least partly using coal waste.

While there are economic benefits to building merchant power plants in Kentucky, by doing so you're essentially "centralizing pollution costs for other people's benefits," FitzGerald said.

Peabody has been mining coal in Muhlenberg County for half a century. In the early 1980s, more than 30 million tons of coal were mined in the area, but the number has dropped to 1 million in recent years.

LEBANON DEMOCRAT AND WILSON COUNTY NEWS

> LEBANON, TH TUESDAY 10.500 FEB 13 2001

Coal-fired power plant set for Kentucky mining region By KIMBERLY HEFLING 35 35 guilty about it.* Associated Press Writer The Muhlenberg Courts

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The Muhlenberg County plant will be a merchant plant and electricity generated will be sold wholesale on the grid to suppliers. Walcott said. It is estimated it will provide power to 1.5 million households in Kentucky, Indiana, Ohio and Tennessee.

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MADISON COURIER

HADISON, IN TUESDAY 9,876 FEB 13 2001

Power plant to help slumping mining region

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Power plant plans boost coal outlook

353 Kimberty Heffing The Associated Press

CENTRAL CITY - The same rising prices and increased demand for electricity that have combined to cause panic in California may bring prosperity to Kentucky coal counties.

The Peabody Group said Mon-

The Peabody Group said Monday it would build a \$1.5 billion coal-fired power plant in Muhlenberg County.

The plant will be what's known as a "merchant plant" – meaning that the electricity it generates will be sold wholesale. It is estimated it will provide power to 1.5 million households in Kentucky, Indiana, Ohio and Tennessee.

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The company said the plant outside Central City will use environmentally friendly technology that abides by all state and federal regulations.

Partly because of the development of the Internet, there is an increased demand for electricity in the United States and coal needs to be a viable part of handling the demand, McConnell said. The greater demand – and short supply of power have been blamed for the high prices and turmoil in California's deregulated power industry.

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Demand for coal

■ Kentucky's coal industry is hoping the rising demand for power will boost the demand for coal-fired power plants.

Maiready, 55 percent of the nation's electricity, and 98 percent of Kentucky's power comes from the use of coal.

KENTUCKY POST

COVINGTON, KY TUESDAY 47,000 FEB 13 2001

PADUCAH SUN

PADUCAH, KY 30,008 ESDAY FEB 13 2001

Power plant gives hope to Muhlenberg

The \$1.5 billion power plant includes an accompanying underground mine that

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Associated Press CENTRAL CITY, Ky.

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The company said the plant outside Central City will use



\$1.5 billion plant: Central City Mayor Hugh Sweatt discusses the 1,500-megawatt generating plant that will be built by the Peabody Group, as Gov. Paul Patton (back left) and Sen. Mitch McConnell, R-Ky., (right) listen.

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February 14, 2001

Peabody plans 1,500-MW generator at Ky. coal mine

ith Kentucky Gov. Paul Patton and U.S. congressmen in tow, Peabody Group on Monday announced an ambitious power project in Muhlenberg County that calls for a 1,500-MW generating plant adjacent to a 6 million-ton/yr underground coal mine.

A United Mine Workers (UMW) official who attended the unveiling lauded Peabody for being "ahead of the curve" and "innovative" for engineering the power project, which will most likely wheel the power to the open market rather than generate it for local consumption.

At the same time, the UMW official, District 12 President Joe Angleton, said Peabody was resurrecting the name of its non-union Indiana operations, Thoroughbred Coal, in naming the power project the Thoroughbred Energy Campus (TEC).

But the occasion wasn't all accolades. "If you look at Peabody's history of the past few years. I think you can reasonably ascertain they won't approach us," Angleton

said, vowing that the union would attempt to organize the project "as sure as we're living and breathing."

The Peabody press statement said that the company will file an application with the state of Kentucky for an air permit for the TEC project, but did not indicate how soon the application would be filed. TEC will be sited on about 4,500 acres of property controlled by Peabody, the company said.

"The generating station is being designed to comply with all applicable state and federal regulatory emissions limits." Peabody said.

Peabody said at the press conference that the plant's state-of-the-art system would remove 97% of the sulfur emissions, 99% of the particulate matter and 75% to 80% of the nitrogen oxide emissions, according to Angleton.

"The project is currently in a design development stage," Peabody said. "Peabody is engaged in discussions with several prospective partners regarding the scope and structure of the project, although no definitive agreements have been reached.

"Peabody currently intends to manage the initial permitting required for the project and related mine operations and is seeking a partner that would manage generating plant construction, operation and power marketing," the company said.

In his own statement regarding the project, Patton said, "In April of 2000, I signed two bills (*HB 805 & 806*) to provide incentives for coal-fired generation plants to locate near an inexpensive fuel source, which creates jobs and decreases coal transportation costs, and also makes very good use of Kentucky's own coal.

"I'm hopeful that by creating a positive business atmosphere, state government has played a role in attracting quality jobs with a quality company and we welcome the opportunity to form a business partnership with Peabody Coal Company," the governor said.



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Wednesday, February 14, 2001

Valley Watch opposes planned Peabody plant

By JOHN LUCAS

Courier & Press staff

EVANSVILLE -- A local environmental watchdog group is questioning the advisability of building another coal-fired electric generating plant in the region.

Valley Watch president John Blair said Tuesday construction of the Peabody Group's proposed 1,500-megawatt plant in western Kentucky would only add to the region's high ozone-level problems and environmental health-related issues.

"We have created an environmental nightmare, and this just adds to the mix," Blair said during an afternoon news conference in Evansville.

He questioned Peabody's ability to remove environmentally harmful emissions from the proposed plant.

Peabody announced plans Monday to build a power plant near Central City in Muhlenberg County and a new underground coal mine to supply it.

Company spokesmen said the proposed plant's clean-coal technology would remove up to 99.9 percent of particulates and 97 percent of sulfur dioxide.

"Peabody's figures appear to be higher than those claimed by most current technology, and we want to know how they are claiming to achieve substantially higher rates of reduction," Blair said. "Coal is a filthy fuel from beginning to end." Vic Svec, Peabody's vice president of public affairs, said the plant will be able to do so with "very modern equipment." Blair, he said, has a history of opposing most forms of energy.

"The situation in California and elsewhere suggests that simply saying no to every type of energy that is practical and economic doesn't make for sound policy nor any type of long-term solution," he said.

Svec said the plant's equipment would remove nitrous oxide, a contributor to ozone pollution.

"The citizens of the region deserve to have good information about the emissions from the plant, and we are very proud of the environmental compliance that we intend to attain." The company is making application to the Kentucky Natural Resources and Environmental Protection for a permit to develop the \$1.5 billion complex.

Natural Resources spokesman Mark York said Tuesday that members of the Cabinet's Division of Air Quality had met with plant consultants, but an application has not been filed.

Blair questioned why the plant, which will sell its power for the national electrical grid, should be built in Kentucky.

"Kentucky does not need the electricity the plant will generate," Blair said. "This unneeded plant will jeopardize our children's health for the energy benefit of people elsewhere." The nation, Blair said, should conserve more energy. Eventually, Blair envisions a wireless environment where electrical power for homes and businesses is supplied by self-contained individual fuel cells.

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Wednesday, February 14, 2001

Peabody plans won't affect Highland Mine

By CHUCK STINNETT

Gleaner staff

Peabody Group's ambitious proposal for one of the biggest coal mines to open in Kentucky in years won't disrupt its plans to open the new Highland Mine in Union County, the company said Tuesday.

"Those are two separate projects in Kentucky," spokeswoman Beth Sutton said.

Peabody on Monday unveiled plans for the Thoroughbred Mine near Central City in Muhlenberg County, which would produce six million tons of coal per year.

All that coal is intended to be burned in an adjacent power plant Peabody hopes to build and won't affect the need to open the Highland Mine, Sutton said.

"The Thoroughbred (mining) operations are dedicated to the Thoroughbred power plant," she said.

The Highland Mine, to be located north of Waverly near Highland Creek on the Henderson-Union county line, is to sell coal under contract with a Tennessee Valley Authority power plant near Nashville.

It will take the place of the Camp Complex near Morganfield. The Camp No. 1 Mine there closed in October, and the Camp 11 Mine is expected to close in fall 2002.

Highland, also an underground mine, is to begin operations in the spring of 2002 and produce four million tons per year at capacity, employing more than 200 people.

"We're looking to break ground in March or April," Sutton said. "The project remains on track and unchanged."

Wayne Thompson, who has served as president of United Mine Workers Local 1793 at Camp 1, said he expects Highland to go forward despite the Thoroughbred announcement.

"I understand it is to not be affected," he said.

The Highland Mine will be able to make use of the existing Camp 9 coal preparation plant, then ship coal by conveyor to the barge-loading terminal at Uniontown. The coal can then be transported by river to TVA's Cumberland power plant on the Cumberland River near Nashville.

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PRINCETON DAILY CLARION

PRINCETON, IN WEDNESDAY 6,700 FEB 14 2001

Coal-fired power plant to be built in slumping coal mining regions

CENTRAL CITY, Ky. (AP) The Peahody Group said Monday it would build a coal-fired power plant in an economically depressed western Kentucky county that has seen a dramatic decrease in coal mining jobs.

The \$1.5 billion power plant project includes an accompanying underground mine in Muhlenberg County that will produce 6 million tons of coal annually for the 1,500-megawatt generating plant.

The plant is expected to open in 2005 and employ 500 people, said Roger B. Walcott Jr., executive vice president of St. Louis-based Peabody.

The announcement was hailed by Gov. Paul Patton, U.S. Sen. Mitch McConnell, R-Ky., and U.S. Rep. Ed Whitfield, R-Ky., as a boon for the county and a sign that Kentucky's coal industry is still strong.

The company said the plant outside Central City will use environmentally friendly technology that abides by all state and federal regulations.

Partly because of the development of the Internet, there is an increased demand for electricity in the United States and coal needs to be a viable part of handling the demand, McConnell said. Already, 55 percent of the nation's electricity and 98 percent of Kentucky's power comes from the use of coal.

The attitude that any way to produce electricity is harmful to the environment is misguided, McConnell

Peabody is providing rebirth to Muhlenberg County and also helping to solve energy problems, McConnell said.

"We're going to have more jobs. We're going to have more opportunities. And yes, we're going to have more power for America," McConnell said. "We're not going to apologize about it. We're not

going to feel guilty about it."

The Muhlenberg County plant will be a merchant plant and electricity generated will be sold wholesale on the grid to suppliers, Walcott said. It is estimated it will provide power to 1.5 million households in Kentucky, Indiana, Ohio and Tennessee.

Peabody will take advantage of legislation passed in the 2000 General Assembly that provides tax incentives to burn Kentucky coal at utilities, Patton said.

Tom FitzGerald, director of the Kentucky Resources Council, said he has not had time to review the company's proposal, but he said the environmental effects of having new power plants in the state is an issue that needs to be addressed.

an issue that needs to be an attractive place to build merchant coal-fired plants because of its proximity to the coalfields and because of tax incentives.

In the last year, at least two companies have announced plans to build power plants in the state, at least partly using coal waste.

While there are economic benefits to building merchant power plants in Kentucky, by doing so you're essentially "centralizing pollution costs for other people's benefits," FitzGerald said.

Peabody has been mining coal in Muhlenberg County for half a century. In the early 1980s, more than 30 million tons of coal were mined in the area, but the number has dropped to 1 million in recent years. The company also went from employing 3,000 miners in the '80s in Kentucky — primarily in Muhlenberg and surrounding counties — to about 600 today.

"Welcome home," said Central City Mayor Hugh Sweatt Jr. said of Peabody at Monday's announcement. "We kept the light on for you."

Peabody Group to open coal-fired power plant, mine in Muhlenberg County

By KIMBERLY HEFLING 3535 Associated Press Writer CENTRAL CITY, Ky.

The Peabody Group said Monday it would build a coal-fired power plant in an economically depressed western Kentucky county that has seen a dramatic decrease in coal mining jobs.

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"Welcome home," said Central City Mayor Hugh Sweatt Jr. said of Peabody at Monday's announcement. "We kept the light on for you." MOUNTAIN EAGLE

WHITESBURG, KY WEEKLY 7,500 FEB 14 2001

Contral City **Mayor Hugh** Sweatt discusses the 1.500megawatt generating piant to be built by the Peabody Group as Gov. Paul Patton. back left, and Sen. Mitch Mc-Connell. R-Ky., listen.

DAILY INDEPENDENT

TUESDAY 23,000 FEB 13 2001

Coal-fired power plant slated for slumping region

By KIMBERLY HEFLING THE ASSOCIATED PRESS

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Peabody to mine six million tons per year

MUHLENBERG COUNTY .- Peabody Group announced February 12 that it will file an application with the State of Kentucky for an air permit relating to a proposed coal-based electricity generation project in Western Kentucky.

This project, the Thoroughbred Energy Campus, will be located east of Central City on Green River in Muhlenberg County. The proposed project would consist of a 6 million ton-per-year underground coal mine that will fuel a 1,500-megawatt generating plant sited on approximately 4,500 acres of property controlled by Peabody. The generating station is being designed to comply with all applicable state and federal regulatory emission limits.

The project is currently in design development stage. Peabody is engaged in discussions with several prospective partners regarding the scope and structure of the project, although no definitive agreements have been reached. Peabody currently intends to manage the initial permitting required for the project and related mine operations, and is seeking a partner that would manage generating plant construction, operation and power marketing.

· Peabody Group is the world's largest private-sector coal company. Its coal products fuel 9.5 percent of all U.S. electricity generation and 2.5

percent of worldwide electricity generation.

BUTLER COUNTY BANNER

WEEKLY 5,500 FEB 14 2001

February 15, 2001

Peabody to file permit

Peabody Group announced February 12 that it will file an application with the State of Kentucky for an air permit

TIMES - NEWS
HARTFORD, KY
WEEKLY 6,800
FEB 15 2001

relating to a proposed coalbased electricity generation project in western Kentucky.

This project, the Thoroughbred Energy Campus, will be located near Central City in Muhlenberg County. The proposed project would consist of a six million ton-per-year underground coal mine that will fuel a 1,500 megawatt generating plant sited on approximately 4,500 acres of property controlled by Peabody.

The generating station is being designed to comply with all applicable state and federal regulatory emissions limits.

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Peabody files app for air permit

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based electricity generation project in Western Kentucky.

This project, the Thoroughbred Energy Campus, will be located near Central City in Muhlenberg County. The proposed project would consist of a 5 million ton-per-year underground coal mine that will fuel a 1,500 megawatt generating plant situated on approximately 4,500 acres of property controlled by Peabody. The generating station is being designed to comply with all applicable state and federal regulatory emissions limits.

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UNION COUNTY ADVOCATE

BORGANFIELD, KY
WEEKLY 5,000

WEEKLY 5,000 FEB 14 2001

Peabody Pursuing KY Electricity Generation Project

Peabody Group. St. Louis, will file an application with the state of Kentucky for an air permit relating to a proposed coalbased electricity generation project in western Kentucky.

The project, Thoroughbred Energy Campus, will be near Central City in Muhlenberg county. The proposed project would consist of a six million ton-per-year underground coal mine that will fuel a 1,500 mw. generating plant sited on about 4,500 acres of property controlled by Peabody. The generating station is being designed to comply with all applicable state and federal regulatory emissions limits.

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SKILLINGS MINING REVIEW

DULUTH, MN WEEKLY 3,000 FEB 17 2001

Peabody not yet taking applications

By David Blackburn Messenger-Inquirer

GREENVILLE - The Muhlenberg County office of the state Department for Employment Services opens at 8 a.m. every week-

At 8:01 Tuesday morning, the first person came in trying to find out how to apply for one of the 1,500 jobs expected to be created by a proposed coal-burning power plant near Central City that was

announced Monday.

"We are getting so many phone calls," said Leigh Douglas, the sen-

ior employment and training specialist. Her Hopkinsville Street office, which is only open four hours a day, has had 50 calls and about as many visitors seeking power plant jobs since Monday.

In addition, people walk to the office door, read a sign taped to it saying applications are not yet available and leave, she said.

The application process has not yet started, said Beth Sutton, a public relations manager with the Peabody Group that will build the 1,500-megawatt plant and accompanying underground mine.

"Since we won't be breaking ground for e i g h t months or so, it's a little early," Sutton said. She added that the company will advertise

when it will begin accepting applica-

Several people have asked if

On The Web-

Beth Sutton, a public relations manager with the Peabody Group, said people wanting information about Peabody or the power plant project can contact an e-mail address: thoroughbredenergy@peabodygroup.com

> was being built in the early 1990s, Douglas said.

the

employ-

ment serv-

ices office,

just as they

applica- hand in the application process," tions will Douglas said. "We're just telling them to watch the papers. As soon as we know something, we'll post be available it.'

Douglas hopes to move her office to the unfinished, unoccupied Career Advancement Cen-

were when That building will also house an office for Peabody, but it will not be staffed or opened for about another the Green River Correctional Complex six weeks, Sutton said.

David Blackburn, (270) 338-6580. "We hope this office will have a dblackburn@messenger-inquirer.com

MESSENGER-INQUIRER

OWENSBORO, KY 32,486 THURSDAY FEB 15 2001

February 19, 2001

Peabody unveils western Kentucky minemouth power project

ith Kentucky Gov. Paul Patton and U.S. congressmen in tow, Peabody Group announced on Feb. 12 an ambitious power project in Muhlenberg County that calls for a 6 million-ton/yr underground coal mine and a 1,500-MW minemouth generating plant (CO 1/15, 2/12).

A United Mine Workers official who attended the unveiling lauded Peabody for being "ahead of the curve" and "innovative" for engineering the power project, which will most likely wheel the power to the open market rather than generate it for local consumption.

At the same time, the UMW official, District 12 President Joe Angleton, said Peabody was resurrecting the name of its non-union Indiana operations, Thoroughbred Coal, in naming the power project the Thoroughbred Energy Campus (TEC).

"I think if you look at Peabody's history of the past few years, I think you can reasonably ascertain they won't approach us," Angleton said, vowing that the union would attempt to organize the project "as sure as we're living and breathing."

Angleton added, "We would like to be a part of this new venture; time will tell."

He said that Peabody offered no timelines or other specifics for project development. Angleton speculated that the mine and plant would employ "no more than 500" workers altogether. The underground mine would certainly have to be a longwall operation to crank out 6 million tons annually, he said.

Officials with Peabody were unable to return telephone inquiries by press time.

The Peabody press statement said that the company will file an application with the state of Kentucky for an air permit for the TEC project, but the statement did not indicate how soon. TEC will be sited on about 4,500 acres of property controlled by Peabody, the company said.

"The generating station is being designed to comply with all applicable state and federal regulatory emissions limits," Peabody said.

Peabody said at the press conference that the plant's state-of-the-art system would remove 97% of the sulfur emissions, 99% of the particulate matter and 75%-80% of the nitrogen oxide emissions, according to Angleton.

"The project is currently in a design development stage," Peabody said in its statement. "Peabody is engaged in discussions with

several prospective partners regarding the scope and structure of the project, although no definitive agreements have been reached.

"Peabody currently intends to manage the initial permitting required for the project and related mine operations and is seeking a partner that would manage generating plant construction, operation and power marketing," the company said.

In his own statement regarding the project, Patton said, "In April of 2000, I signed two bills (HB 805 & 806) to provide incentives for coal-fired generation plants to locate near an inexpensive fuel source, which creates jobs and decreases coal transportation

costs, and also makes very good use of Kentucky's own coal.

"I'm hopeful that by creating a positive business atmosphere, state government has played a role in attracting quality jobs with a quality company and we welcome the opportunity to form a business partnership with Peabody Coal Company," the governor said.

A veteran coal industry observer predicted that the Peabody venture is one of the best bets among the coal-fired power projects being discussed lately. The industry manager predicted the Tennessee Valley Authority or other regional utilities could become interested in being involved with the plant.

Kentucky awaits Peabody mine plans

Reclamation and Enforcement Dept. haven't heard yet from Peabody Group how it will produce the coal for a minemouth power plant (see story, page 8).

Peabody holds vast reserves in the area, much of which is high-sulfur coal that is capable of taking a longwall, said a state official. Peabody has said the plant, to be located near Central City in Muhlenberg County, will be served by an underground mine and will consume 6 million tons/yr. It hasn't said publicly whether the mine will have a longwall, but a deep mine producing that amount of coal usually does.

Peabody hasn't sat down with the surface mining department yet to discuss such a mine, said state officials on Feb. 15. Peabody officials were unavailable for comment for this story.

Peabody's Gibraltar operation, located just east of Central City, may or may not play into the plant situation. Considering that the Gibraltar operations are represented by the United Mine Workers union, and the UMW thinks Peabody will dodge the union in relation to the power project, it seems unlikely any

coal would come from Gibraltar.

At Gibraltar, there is the Martwick deep mine that ran out of economic coal and was shut in September 2000. At that time, Peabody opened the Gibraltar Highwall Mine to replace Martwick.

There's been some confusion on the new mine. Coal Outlook has reported, based on input from Peabody officials, that this mine uses a highwall miner (CO 1/15). But a state official said the word "highwall" is in the name only because the entry went through an old highwall from a long-shut surface job. This is a basic deep mine with one continuous miner (CM) unit in action and a second CM to be added soon, said the state official. The mine works the No. 9 coal seam.

Also operating at Gibraltar is a long-standing, smallish surface job. Peabody permitted some time ago a new deep mine in the No. 9 seam that would have an entry next to the Gibraltar prep plant. At a later point in the mine's life, Peabody would drop down through an in-mine slope into the No. 8 seam. Peabody is talking about developing this deep mine two or three years from now, said a state official.

February 21, 2001

A Francis

Peabody Group not yet accepting applications.

by Tom Henson

Leader News staff writer

With the county abuzz over the proposed coalhuming power plant the <u>Peabody Group</u> plans to build near Central City, it should be noted that construction is not expected to begin until October.

A number of people have inquired about the job application process, both for the construction stage and the mining of 6 million tons of underground coal a year at the proposed Thoroughbred Energy Campus, which Peabody will build at an estimated cost of \$1.5 billion.

In the first week since the announcement of

In the first week times the announcement of the project on Monday, February 12, nearly 100 people have called the Muhlenberg County of fice of the State Department for Employment Services, only to find out applications are not yet available for approximately 1,000 jobs during the construction phase, which will be completed in 2005

Once in operation, the project is expected to employ 300 full-time workers for the underground coal mine and 200 more for the generating plant.

According to Beth Sutton, a Peabody public relations manager, the application process has not yet berun.

"Since we won't be breaking ground for eight months or so, it's a little early," Sutton said, adding that Peabody will advertise the date when the company will start taking applications.

Leigh Douglas, the senior employment and training specialist for Muhlenberg County, hopes her office, which is now located on Hopkinsville Street in Greenville but will be moving into the new Career Advancement Center in Powderly, hopes her office will be involved in the application process.

The Career Advancement Center will also house an office for Peabody, but it will be at least any weeks before it is staffed, according to Sutton

People wanting information concerning Peabody or the new power plant project can contact an e-mail address:

thoroughbredenergy@peabodygroup.com

March, 2001

3.1.12 March 2001 Coal Age Article

PEABODY TO BUILD NEW KY. COAL-FIRED PLANT

Once the dominant force in the western Kentucky coal industry, Peabody Group is recommitting itself to the region's embattled high-sulfur coalfield through plans to develop a \$1.5 billion, 1,500-megawatt coal-fired power plant and a 6 million-tons-per-year underground coal mine near Central City in Muhlenberg County.

On Feb. 12 in Central City, an old mining town on the Green River, Peabody unveiled the ambitious project—called Thoroughbred Energy Campus—to a grateful group of local and state officials, all of whom watched helplessly during the past decade as the nation's largest coal producer slowly retreated—albeit not totally—from the region.

Now, Peabody appears to be on the way back in a big way.

It started last year when the St. Louis-based company, after much soul-searching and delicate contract renegotiations with the United Mine Workers of America, opted to push forward with its long-rumored Highland underground mine project along the Henderson County-Union County border, just a few miles from its soon-to-be-depleted Camp Breckinridge underground mining complex near Morganfield.

By late next year, Highland is expected to begin producing approximately 4 million tons a year for the Tennessee Valley Authority.

With Thoroughbred Energy Campus, Mr. Peabody's coal train has fully shifted in reverse and is making a high-profile return to the region.

The new power plant—to be Peabody Group's first, though probably not last, in the United States—will be a so-called merchant facility. Peabody plans to partner with one of several unidentified energy companies it is negotiating with to sell electricity generated by the plant on

the open market for the highest price. Peabody spokesperson Vic Svec indicated it may be several months before a partnership agreement is signed.

In the meantime, Peabody is preparing to file an application with the state of Kentucky for an air permit for the project. "We would expect a thorough process," said Svec, adding Peabody hopes to have all necessary regulatory approvals in hand and commence construction by late 2002. The plant should be in commercial operation in late 2005 or early 2006.

Both the plant and nearby coal mine will be located on approximately 4,500 acres of property controlled by Peabody. The company's Gibraltar highwall mine, situated on the acreage, will not be affected by the new project, Svec said.

State Rep. Brent Yonts, a Democratic legislator from Muhlenberg County, is among local officials thrilled to hear about Peabody's planned heavy

investment in his county. In the mid-1980s, Muhlenberg County was home to almost 4,000 coal miners. That number has dwindled to approximately 250.

Nor is the Muhlenberg County coal project likely to be the last involving Peabody.

Svec confirmed his company has "explored the potential for such projects elsewhere," though he would not elaborate. Developing new coal-fired

power plants and coal mines to supply them is "certainly something that makes sense in today's energy environment."

April, 2001

3.1.13 April 2001 Newspaper Articles

Thursday, April 19, 2001 B-3

Environmentalists oppose proposed power plants

HERALDLEADER STAFF WRITER By Andy Mead

soon be awash in new power plants, many of which would send FRANKFORT — Kentucky, which has ample electricity, could

are bad. Representatives of the Sierra Club, Kentuckians for the Commonwealth and the Kentucky Resources Council held a press conference in the Capitol to bring attention to 17 proposed or recenttion but little payoff in a state groups warned yesterday that that could mean increased polluwhere the air and water already A coalition of environmental power out of state.

pose things that could destroy our "The Sierra Club does not op-pose new power plants as such," said Dick Shore of the club's Cumberland chapter, "But we do opchildren, our nieces and nephewa our drinking water and our air." ly approved plants.

Quality would be so-called "mer-Most of the plants under review by the state Division of Air chant plants" that would sell power in other stales.

he makes sure that all possible emission controls would be used on Gov. Paul Patton to place a The environmentalists called moratorium on new permits until and neighboring communities

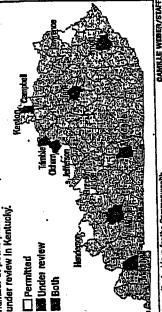
monwealth and a member of the state Environmental Quality Comcares about our lungs and our children and that he will do this," said Patty Wallace, a past chairman of Kentuckians for the Com-"I believe that Gov. Patton consulted. mission.

Patton left yesterday for Washington, D.C. Environmental-ists say they faxed him, the request for action after the press

Mark York, spokesman for the

Environmentalists said yesterday they are concerned about the large number of power plants whose permits were recently approved or are

Potential sites



Source; Kentacklans for the Commonw

mental Protection Cabinet, said he knew of no discussions about a Kentucky's air pollution is Natural Resources and Environ-

ing power plants. A study released last fall, for example, estimated that Kentucky among the worst in the nation. largely because of already-existleads the nation in the rate of deaths caused by soot from coalfired power plants. Another study, released last April, put Kentucky, in the Top 10 among states in pol lution from power plants.

by natural gas, which burns cleaner than coal. And they would be "peaking" plants that would only operate when demand for Most of the plants cited by environmentalists would be fueled electricity is high. But the list also included

plants that already have generat-There is, for example, the \$600 would burn waste coal. It is profor Knott County that would million plant under consideration nosed by Environower LCC, ed considerable controversy.

Lexington company with thes to Larry Addington contributed more than \$500,000 to the Nationmining giant Addington Bater-prises Inc. of Ashland.

tee while U.S. Sen. Mitch Mcal Republican Senatorial Commit-Connell of Kentucky was its chair-

Addington's contributions were made with no strings attached. McConnell is sponsoring legislation that could provide tens of millions of dollars in tax breaks rules to Enviropower. He has said But the environmentalists said and exemptions to environmenta

they worry the plant will be apshow it could create smog as far away as the Great Smoky Moun-tains National Park, Park officials, sling test that they say would who oppose the plant, have reproved without an emissions mod quested the modeling.

231-3319, at (800) 950-6397, or mental issues. Reach him at (859) Andy Mead covers environ at amead@herald-leader.com.

Study: Implanting ear tubes in children

y not be worth risks, cost - Nation, A3



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THURSDAY, APRIL 19, 2001 • 50 CENTS

TICLUMOR NOW OF TO THOS SO

Groups urge state to control building boom

By TOM LOFTUS

The Courier-Journal
FRANKFORT, Ky. — Citing concerns about clean air and water, environmental groups

asked Gov. Paul Patton yester- all the proposed plants are day to control the proliferation built, it would boost the gener-of power-generating plants be- ating capacity of Rentucky ing built or proposed in Ken- power plants by 50 percent.

op," Patty Wallace of Louisa, a almost every person in our commonwealth, from the fish we won't be able to eat, to the nountains you can't see, to the nember of the citizens' group ısthma our children will devel-Kentuckians For The Commonwealth, said at a news confer-A cabinet spokesman said if The state Natural Resources and Environmental Protection Cabinet lists 18 new power lants that either recently recelved permits or have applicathe projects would produce ions under review. Combined more than 9,000 megawatts.

all the proposed plants are ence in the Capitol Rotunda.
built, it would boost the gener. But leaders in some of the resting capacity of Kentucky gions that will get power plants
power plants by 50 percent. defended them as blessings to

the economy

"I was on the state Environ- in mental Quality Commission for be 13 years. I consider myself an platelyironmentalist," Hazard three Mayor Bill Gorman, a supporter bon of a planned 500-megawalt generaling plant in Knott Court, said in a elebahone inter- ow view. "But I'm pragmatic dir direw."

oe in the Capitol Rotunda.

But leaders in some of the re- live. Look what's happening in one that will get power plants

California."

Critics say the vast miglority cof the power would not be used to in Kentucky. Instead, It would in be generated by "merchant" plants that would sell power on not the wholesale markel to cus- q tomers outside the state.

koners outside the state.
"If somebody else needs power, put the plant in their own state, ..., We don't want to dirty our air here and send the

power someplace else," said Elsie Carter, a member of the La Grange Clty Council who Is concerned about poliution from two proposed Dynegy generating plants in Oldham County. Kentuckians For The Com-

Kentuckians For The Commonwealth asked Patton to require "maximum pollution control ; standards" for all new plants and to require lesting of

See CURBS Page 4, col. 4, this section

Curbs sought on new power plants

Continued from Page One

the impact on local communi-

The Kentucky Resources Council, an environmental group, also asked the administation to impose a moratorium oh new permits for such plants until a comprehensive:environmental impact statement on their cumulative effect is completed.

Mark York, a spokesman for. the Natural Resources Cabinet, said the governor's office had not received a copy of the groups' requests. York said new power plants must meet permit requirements and emission standards, "and we'll continue to do our job to assure these standards and require-ments are met."

Asked about the request for a

pratorium, York said, "I'm not aware of any discussion within the cabinet of a morato-

num.

The sudden interest in building power plants — particularly natural gas-powered plants designed for peak demand needs is largely due to dramatic fluctuations in the cost of power on the wholesale market, said Marty Blake, of The Prime Group, a Louisville ener-

gy consulting firm.
"There are some other reasons, but the huge variations in the cost of power caused the gas folks to consider building plants so they would have the

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COUNTY	CAPACITY	FUEL TYPE	STATUS
Breckinridge	400 MW .	Natural gas/oli ·	Permitted
Clark	312 MW	Natural gas/oil	Review
Henderson	500MW	Natural gas	Permitted
		Office of the second	义是 miles
Kenton	96 MW	Natural gas	Review
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Lawrence	1040 MW	Natural gas	Permitted
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Source: Natural Resources & Environmental Protection Cabinet			

flexibility to convert gas to clectricity. They could sell gas or electricity," Blake said, "And

the same is true for coal."

Blake said Kentucky is a good location for such plants because it's between highpriced electricity markets to the north and south.

Wallace, of Kentuckians For The Commonwealth, said she fears the list of planned generating plants "is only the beginning. I fear an onslaught of these things."

Dick Shore, a Sierra Club leader from Lexington, said the trend appears to be repeating mistakes of Kentucky's past.

"The Sjerra Club is not opposed to power plants as such.
We recognize that generating power and using it is part of the way we live. ... But we need to take care that we are not selling cheap what was a gift to us and degrading and depleting and polluting so that . we end up with really nothing." Shore said. "We have done that in the past,"

Several critics of the plants said they were concerned that some of the proposed facilities. particularly smaller generators using natural gas, are not required under state regulations to use maximum pollution-con-

trol technologies.

Others said the push to create jobs has obscured the responsibility that officials have to protect the environment.

'Paul Patton is always saying one thing: 'Jobs, jobs, jobs,' said Pauline Stacy, an Ary housewife who lives a mile from the site of the proposed

Knott County plant.
But David Richey, a Central City councilman, said a 1.500megawatt plant proposed for Muhlenberg County in Western Kentucky would do more than just create a few jobs.

"It would use coal mined in this region, and we think it would be one of the biggest boons in our community in a long time," he said.

Editorials

Out of control

Increase in power plants poses environmental threat

The proliferation of electrical generating plants in Kentucky demands more than a piecemeal response from state government

This trend has serious implications for the environment and the economy.

If we allow our already polluted air to become even dirtier to send electricity to other states, Kentucky cannot possibly come out ahead in the long run.

Eighteen new generating units in 17 locations, including two in Clark County, have been permitted or are under review by state regulators. This would increase Kentucky's generating capacity by 50 percent.

Most of the new units would sell electricity, mostly outside Kentucky, in times of peak demand.

Dynegy Inc.
The Houston-based energy company is paying the Eastern Kentucky county \$3.6 million in taxes over 20 years on a natural-gas-fired plant. The company has agreed to pay richer Oldham County, on the Ohio River next to Louisville, \$13 million in taxes on a smaller plant. Many Oldham County residents still are fighting the project.

We wouldn't expect Dynegy to look out for Lawrence County; you don't make 54th on the Fortune 500 through charity.

But it's sad to see such a needy place sell itself so cheaply. We can't help but think that more information and public discussion would have enabled the county to cut a fairer deal for its residents.

Energy companies want to build power plants in Kentucky because

we're near both the fuels they need and a huge customer base. If the companies can make money here, as they obviously think they can, then they ought to pay their fair share of taxes.

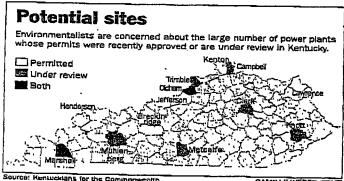
And yet the legislature just approved a bill

that would qualify the Peabody Group, which wants to build a power plant near coal reserves in Muhlenburg County, for tax breaks that originally were aimed at keeping manufacturing jobs from leaving Kentucky for other countries.

All of this cries for a broad public discussion and a well-conceived strategy.

Thanks to Kentuckians for the Commonwealth, the Sierra Club and the Kentucky Resources Council for bringing attention to this trend. Their ideas — including requiring new power plants to meet the highest pollution-control standards and imposing a temporary moratorium on power plant permits — merit consideration.

If Kentucky becomes the nation's power plant, it should be as the result of thoughtful and open policy choices, not through default.



Natural gas, cleaner than coal, is the fuel of choice at most of the new plants. Still, their cumulative effects on air would be significant.

And moves are afoot in Washington and Frankfort to stimulate construction of more coal-fired plants through tax breaks and other incentives. This would boost Kentucky's coal industry but at a

cost in air quality.

As for the economic develop. ment aspects, Kentucky's track record is not reassuring. The tax breaks heaped on the low-paying, high-polluting poultry industry come to mind

While construction of power plants creates a good deal of economic activity, they are not big employers once they're on line

And already, Lawrence County has been taken - or, as one observer put it, "snookered" - by

13:55

May 2001

MERCHANT POWER MONTHLY

FALLS CHURCH, VA MONTHLY MAY 2001

Burrelle's

Power Plant Provided Big, But Brief, Economic Boom for Virginia County

7535

Bill Confroy compares having a electric generating plant built in a small, rural county to winning the lottery.

"You owe some taxes on it, but you're way ahead of the game," said Confroy, executive director of the Industrial Development Authority of Halifax County, Va.

Confroy worked to get the Clover Power Station, a 783-megawatt, coal-freed plant, into what used to be a 200-person Virginia border town in the early 1990s. During peak construction between 1992-95, the project had about 1,400 employees, some commuting from as far as 100 miles away.

Their high-paying jobs, and those of the permanent employees hired once the last of the plant's two units was firdshed in 1996, started a three-year economic boom for this county of 37,355 people.

Demand for rental property skyrocketed. New car sales spiked, and homes were remodeled. Long lines were seen at convenience stores and service stations as workers from Halifay's neighboring counties bought breakfast of gas for the drive home.

The real estate assessment on the plant itself, a two-unit facility situated on 1,863 acres in the northeast corner of the county, makes up nearly one-fifth of the county's total property valuation. Annual property taxes from the plant are more than \$1 million — without revenue given up for tax incentives from the county for the plant's pollution-control equipment.

Will a similar boom happen for Muhlenberg County when the estimated four-year construction phase begins on Peabody's three-unit, \$1.5 billion Thoroughbred Energy Campus near Central City? "I wouldn't run out and build a lot of hotels, motels and restaurants," Confroy said. But "it'll definitely have a positive impact. I don't know of any, negative impact it had on anything."

The Clover plant is a joint effort between Old Dominion Electric Cooperative and Virginia Power, which is in charge of day-to-day operations.

The plant, with 140 employees, uses water from the nearby Staunton River to produce steam to turn the turbines that can produce power for 800,000 homes. Coal from Virginia is shipped in by rail.

By comparison, the Thoroughbred plant will be built on the Green River and will use about 6 million tons of high-sulfur coal each year that will be brought by conveyor belt from the underground mine Peabody will open next to it. The estimated 500 employ-

ees in the plant and mine should power 1.5 million homes.

In Virginia, city and county officials agree that the companies are good corporate neighbors. Concerns about the environment were addressed, and the plant invested \$400 million in pollution-control equipment that uses wet limestone scrubbers to remove nearly all pollutants.

"There was no degradation of the land," Confroy said. "In fact, they enhanced it."

The plant only uses 460 of the site's 1,836 acres. The rest is used as buffer zones, including a wetlands mittgation area next to the Staunton River Battlefield State Park, and a museum telling about the plant and the area's Civil War-based heritage.

In 1992, the county's Board of Supervisors approved the plant's owners request for tax breaks for the plant's pollution-control equipment. In return, Old Dominion in 1998 contributed \$250,000 to the Halifax Educational Foundation, which used it to start the \$4 million Continuing Education Center of Southside Virginia now under construction.

The new 33,000-square-foot facility, which is expected to open this fall, will house classes for 6,500 students who can get two- and four-year degrees from the consortium of two community colleges and two universities.

"ODE really came through with seed money for it to get us going," said Glenn Abernathy, mayor of South Boston, the county seat 15 miles southwest of the plant and, at 12,000 people, the county's largest city.

But the power plant's biggest impact was on the economy.

"During the construction phase, it was phenomenal," Abernathy said:

And trying at times.

Cathy Carter, a real estate agent with Green Auction and Realty in

South Boston, recalls getting frantic telephone calls from out-of-town workers who loaded up rental trucks, drove to local motels and called her seeking places to rent in a small county.

"Rentals were a problem for us because we don't have a lot of rental property," Carter said.

"Everything that could be rented, was rented," said Bert Martin, 44, a lifelong Clover resident and fire thief of the Clover Volunteer Fire Department.

That didn't help Brenda Pulliam and her husband much from 1988 to 1992, when they owned the 78-room Von's Motel, now a Days Inn.

"People were coming in then," Pulliam said. "He was counting on that keeping us in business."

But most of the workers were either local about 70 percent were from a 100-mile radius or wanted to rent property, such as mobile home parks, Fulliam said.

A few bought homes, then put them back on the market once construction was done, Carter said. Others rented in neighboring counties or from owners of old homes who suddenly found a reason to fix them up.

The people with enough money to renovate and rent their unused homes, as well as those with a bit more fix-it-up pocket money, were the main reason Lee Felton's Boston Lumber saw a 15 percent increase each year for three years.

"They (builders) bought some stuff from us," Felton said. "A lot of their stuff (concrete and steel) came from out of town."

"It was a boom for us," chamber of commerce vice chairman Jack Caldwell said of his Wyatt Chevrolet car dealership, which saw three years of 25 percent increases in new-car sales. "We were thrilled with it."

Martin's family's Main Street grocery was at ground zero for the boom.

Before the plant's arrival, the Clover store's business was roller-coaster, he said.

Weekly business from the nearby residents, most of whom are elderly and on fixed incomes, averaged \$14,000 to \$15,000 a week near the beginning of the month, when Social Security checks arrived, Martin said. It tapered to \$10,000 to \$11,000 a week toward the end of the month, he said.

But during construction, the store averaged \$15,000 every week, Martin said.

"That was for a good 3.1/2 years," he said: "It just depended on the job that was going on at the time.

"We toyed with the idea of building a new building," he said of the 100-year-old store that his family finally dosed in 1999. "There was enough business there to pay for a new building. There wasn't enough there long."

Once construction ended, so did the influx of many of the workers and their money.

Clover had three police officers, thanks to Old Dominion's contributions in order to get more police profection and some county and federal grants, Martin said.

But without the money coming inthe city found itself unable to support such services and voted to amuli its town charter, reverting to control of the county.

South Boston changed its "city" status to "town" to get in on "the glory of fax relief the plant offered," Mayor Abernathy said.

Residents who had been paying the city's property tax of 86 cents per \$100 assessed valuation were suddenly paying the county's 36 certs, which is one of the lowest in the state.

The change also meant South Boston could annex, but its schools and judicial, social and health services reverted to county control.

"We have gone through some changes," said Julia Moss, the co-assistant county administrator.

The county's unemployment rate, which dropped from 8.8 percent in 1991 to 6.6 percent in 1994, was up to 11.2 percent by 1996. It was 7.3 percent in February of this year.

"The primary impact we had was on the property values," said. Bill Covington, chief financial officer for the 6,000-student Halifax County Schools, of the plant's arrival.

The 1998 real estate assessment on the plant itself was \$361.49 million,

which generated \$1.301 million in tax revenue, according to Harold Throckmorton, the county's deputy commissioner of revenue. The county receives a total of \$6.683 million in real estate tax revenue, he said.

While that was great for the county, Covington said, it also meant the state changed the school system's state composite index — a formula used to determine how well a county can provide for itself rather relying on the state.

Before the plant, the school's index was 24 percent, meaning the state provided 76 percent of the system's funding. After the plant arrived, the index jumped to 38 percent.

"The county didn't get that much richer," Covington said, noting the

plant's tax exemptions. "The county's got to put up a lot more money than is used to and the state's got to put up less."

To compensate, the county raised property tax rates 5 cents last year and is considering a 4-cent hike to take effect in January, Moss said.

Although the plant, with 140 employees, doesn't have the 225 permanent jobs it predicted circulating \$5 million annually through the community, Felton and others say the plant has had a positive impact.

"It was a pretty big deal when it happened for a small community," Felton said. "We felt the impact more when they left."

July 21, 2001

COURIER-JOURNAL

LOUISVILLE, KY 232,000 SATURDAY JUL 21 2001



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ompany seeks rezoning for power plant

Associated Press 2535

HENDERSON, Ky. — A Louisville company that owns coal reserves in Henderson County has filed an application to rezone nearly 1,923 acres there for a \$1 billion coal-fired power plant that it wants built.

Kentucky Emerald Land Co. LLC has asked the Henderson City-County Planning Commission to rezone the land to heavy industrial from agricultural. A public hearing on the request is scheduled for Tuesday.

A rezoning would help clear the way for an affiliated company, Cash Creek Generation LLC, to try to persuade an electricity-generating company to finance, build and operate a 1,000-megawatt plant. The electricity would be sold to other utility companies, probably outside Kentucky.

Such a plant would create a ready market for Kentucky Emerald's coal, being mined by Patriot Coal Co., a Peabody Energy Corp. subsidiary.

The site for the proposed plant is along the Green River in eastern Henderson County. The entrance would be near Cash Creek Church.

The generating station itself would occupy about 550 acres.

The remaining 1,370 acres would be used for ash disposal, a coal stockpile, a limestone-handling area, a parking lot and a buffer zone. The

ground nearest the Green River would be left largely unaffected except for being crossed by one or two coal-conveyor lines running from the river to the plant, a water-intake pipeline and a cooling-water discharge line.

An application for a state air-quality permit was submitted last month, just hours before Gov. Paul Patton imposed a moratorium on power-

plant projects.

The state will continue to review the air-permit application submitted by Cash Creek. The company hopes to receive a permit by late next year and have the plant operating by

August, 2001

3.1.14 August 2001 Newspaper Articles

Emissions An Issue For Proposed Peabody Plant

The U.S. Park Service's concerns about air pollution have stalled Peabody Energy's plans to build a 1.500-megawatt coal-fired plant in Muhlenberg County, Ky.

Kentucky air-quality regulators delayed the state permitting process after Park Service officials said the plant's emissions would reduce visibility levels at Mammoth Cave National Park.

Peabody wants to build the Thoroughbred Energy Campus along the Green River about 60 miles west of the 52,000-acre park (CD 2/13/01; 2/9/01), which contains the nation's largest underground cave system. The park has also been designated an International Biosphere Reserve.

Don Newell, a supervisor with the permit review branch of the Kentucky Division of Air Quality, said the park's location is a "real problem" for Peabody.

Mammoth Cave officials contend the plant emissions would lower the park's visibility by more than 5 pct during 49 days each year. Officials said the park's visibility is already reduced to 9-13 miles on the haziest days, due in

part to air pollution.

Peabody exec Kenny Allen said the company is "making progress" working with regulators and new technologies to reach satisfactory emission levels at the proposed plant, which would be fueled by high-sulfur coal from a new underground mine next to the facility.

But state regulators envision a messier battle. Newell said concerns about visibility puts Peabody "between a rock and a hard place," and predicted the Park Service's concerns

about the permit could lead to a court battle.

"We're not going to issue a permit that's going to be challenged by the federal land manager," Newell said. Newell said state officials won't move forward until the issue is resolved.

Newell said one option being considered is reducing the plant's generating capacity, but Peabody officials said the issue of reduced capacity is not on the negotiating table.



Peabody May Build Two N.M. Power Plants

Peabody Energy may be looking at New Mexico as a potential site for two coal-fired power plants, Sen. Pete Domenici (R-N.M.) revealed this week.

Domenici made his comments Monday in a speech to the Greater Albuquerque Chamber of Commerce. The Albuquerque Journal reported his comments, which were later confirmed by the senator's press office. Domenici spokesman Chris Gallegos told COAL Daily the comments weren't part of Domenici's prepared remarks and that further details weren't available.

The newspaper reported that Domenici said Peabody would construct a plant near its Lee Ranch mine and another at an unspecified location near Gallup.

The coal producer is already developing a coal-fired power plant in Kentucky (CD 2/13/01; 2/9/01). The 1,500-MW Thoroughbred Energy plant would be adjacent to Peabody's Gibraltar mine.

A Peabody spokesman didn't return phone calls by press time.

Web posted **Wednesday, August 15, 2001** 4:50 a.m. CT

The Associated Press

Two power plants planned for northwest New Mexico

ALBUQUERQUE (AP) - A St. Louis-based power company is considering building two coal-fired electric plants in the Gallup and Grants areas, Sen. Pete Domenici said.

Details are sketchy, but Domenici, R-N.M., told a luncheon meeting of the Greater Albuquerque Chamber of Commerce that Peabody Energy would build one plant at the Lee Ranch about 45 miles northwest of Grants and the other at an undisclosed location near Gallup.

He could not provide a time frame for construction.

Peabody Energy spokeswoman Beth Sutton said the company is looking at several potential sites for power plants across the nation. She could not discuss the company's plans for New Mexico.

An official with the state Economic Development Department said Peabody has had at least one meeting with state officials for a proposed 1,500-kilowatt coal-fired plant.

Coal Week 13 August 2001

Peabody sets up project office for Thoroughbred complex

file.

Peabody Energy, in another step toward developing its proposed 1,500-mw Thoroughbred Energy power plant/coal mine complex in Muhlenberg County, KY, said Aug. 2 that Thoroughbred has opened a local office in Central City, KY, not far from where the \$1.5 billion project would be built.

The Central City office provides a local resource for questions and vendor opportunities for the so-called Thoroughbred Energy Campus, which will consist of the generating station and an underground mine. Peabody Energy, based in St. Louis, MO, unveiled plans for the development early this year and has filed for regulatory approval in Kentucky.

The Thoroughbred Energy Campus would create about 500 permanent jobs through the generating facility and coal mine. Once on line, the operations are expected to inject \$80 million in direct economic benefits over the plant's 40-year life. Peabody says Thoroughbred will be the cleanest coal-based power plant of its size east of the Mississippi River.

Peabody is still negotiating with a prospective joint venture partner whose identity has not been disclosed.

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Noise, pollution concerns swept 🕮 aside by talk of jobs, money

John Lucas Scripps Howard News Service

NIAGARA, Ky. - Eleven-year-old Laura Coomes wonders if the snow that falls on her family's home in rural eastern Henderson County will be white or gray if a 1,000-megawatt coal-fired electric power plant is built just down the road from it.

That's only one of the many questions and concerns of families who live closest to the Cash Creek Generating Station and adjacent coal mine proposed to be built on a 1,900-acre tract along the Green River.

Coomes and her parents, Mark and Shandra, are one of three families whose homes are surrounded on three sides by land owned by Kentucky Emerald Land Co., which controls the coal reserves.

The other landowners are Shandra Coomes' mother, Marcell McHatton, and Conrad and Wanda Whittaker.

Kentucky Emerald and Erora Group, a Louisville, Ky.-based consulting group of former Louisville Gas & Electric Co. officials, won approval from the Henderson City-County Planning Commission, changing zoning for the tract from surface mine to heavy industrial.

The recommendation for zoning change goes now to the Henderson Fiscal Court, which could take up the matter as early as Aug. 21.

The \$1 billion generating plant - provided Erora can gain needed state permits and attract an operating partner - would be built on land stripmined in the 1980s and since reclaimed. The site also contains an active underground coal mine operated by Peabody Energy Group's Patriot Coal Co.

The plant would not produce electricity for local consumption but would feed power into the national grid for use elsewhere.

The Coomeses and Whittakers attended a recent planning commission meeting to express some of their concerns about traffic congestion on the area's narrow, winding roads, disruption of the quiet, rural setting and emissions from the power plant's stacks.

But they said they felt their voices were drowned out by talk of high-













paying construction, mining and operating jobs and tax revenue that would be generated for local governments.

The Coomeses, Whittakers and McHatton all agreed they would be willing to sell and relocate, but, Wanda Whittaker said, the company's position seemed to be "we'd take enough for a Big Mac and go."

Mark Coomes said Kentucky Emerald offered his family and McHatton the same amount of land they now own in what is now a cornfield. He said they also asked for \$350,000 for construction of new houses.

Shandra Coomes said the families didn't have time to do adequate research into construction costs and ended up looking at house plans and estimating what it would cost to relocate.

"They really don't care we live that close," Wanda Whittaker said. "They just want what they want.

"They offered us some of their land," she said, "but I haven't seen any of their land that looks as nice as our land."

Then, after asking the families to set a price on their land, Coomes said, the company abruptly said it no longer had any interest in purchasing it.

The families are concerned about the disruption the construction and operation of the plant will bring to their quiet setting.

"We don't have traffic now. It's peaceful and quiet," Conrad Whittaker said.

"That's what country living is," his wife agreed. "They're going to turn it into a small city."

"I saw the moon framed through the trees the other night," Shandra Coomes said, "and I thought four or five years from now I won't be able to do that."

(Contact John Lucas of The Evansville Courier in Indiana at http://www.evansville.net.)

August 17, 2001

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August 9, 2001

TIMES-NEWS

HARTFORD, KY 6,800 WEEKLY AUG 9 2001

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Peabody opens Thoroughbred Office in Central City 2925

Peabody Energy announced on August 2 that Thoroughbred Energy has opened a local office in the Career Advancement Center in Central City.

The office is open Monday through Friday from 1 to 5 p.m. and provides a local resource for questions and vendor opportunities for the Energy Thoroughbred Campus, Peabody's planned joint venture consisting of a 1,500-megawatt coal-based electricity generating plant and underground mine.

The Thoroughbred Energy Campus would create about 500 permanent jobs through generating facility and coal mine. Once on-line, the operations are expected to inject \$80 million in direct economic benefits over the plant's 40-year life. Thoroughbred is modeled to be the cleanest coal-based power plant of its size east of the Mississippi River.

Interested parties should fax or e-mail their contact information to:

Thoroughbred Energy Office, Career Advancement Center, 630 Cleaton Road, Central City, Kentucky 42330. Phone: 270-338-0311; fax: 270-338-5530; e-mail: Thoroughbredenergy@peabod venergy.com.

Peabody Energy is the world's largest private-sector coal company. Its coal products fuel more than nine percent of all U.S. electricity generation and more than two percent of worldwide electricity generation.

August 7, 2001

PADUCAH SUN

PADUCAH, KY TUESDAY 30,008 AUG 7 2001

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Coal plant near Mammoth Cave delayed

E Concerns about

diminished visibility at the park have held up the permit processing for the Muhlenberg power plant.

Associated Press

CENTRAL CITY, Ky.

A proposed coal-burning power plant has run into a delay because of concerns about its emissions on visibility levels at Mammoth Cave National Park, a state official said.

The concerns, raised by officials with the U.S. Park Service,

have delayed the permitting process for the proposed Muhlenberg County plant, said Don Newell, with the state Division of Air Quality.

"They've got a real problem, because they're so close to Mammoth Cave," said Newell, the combustion section supervisor within the division's permit review branch.

Peabody Energy wants to build the plant along the Green River, about 60 miles west of the park. The plant would sell wholesale electricity.

Bob Carson, air resources

specialist at Mammoth Cave National Park, said preliminary information from the plant's developer indicates plant emissions would lower the park's visibility by more than 5 percent during 49 days each year. Carson said the park's visibility already is reduced to nine to 13 miles on the haziest days, which is caused partly by pollution.

Carson said the park service has expressed concerns to the

"What we're asking is they take a good look" at the proposed plant, he said in a telephone interview Monday.

Kenny Allen, a Peabody Energy executive, said last week the company is working with regulators and new technologies to reach satisfactory levels.

"We feel we're making progress," Allen, operations manager for Peabody Energy's Midwest Business Unit; told the Messenger-Inquirer of Owensboro.

MAYFIELD MESSENGER

MAYFIELD, KY TUESDAY 7,600 AUG 7 2001

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Kentucky news briefs

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Allen said he expects the issue to be resolved soon.

DAILY PARK CITY NEWS

BOWLING GREEN, KY TUESDAY 22,013 AUG 7 2001

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Proposed plant faces challenge in getting permit

By The Associated Press

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"We feel we're making progress," Allen, operations manager for Peabody Energy's

Midwest Business Unit, told the Messenger-Inquirer of Owensboro.

Allen said he expects the issue to be resolved soon.

Peabody announced in February its plans for a joint venture to build the plant, with a maximum generating capacity of 1,500 megawatt. The plant would be fueled by high-sulphur coal from a new underground mine next to the facility.

The project is expected to create 1,000 to 1,500 jobs when construction begins, possibly early next year, and about 500 permanent jobs in the mine and plant once operations begin about 2005, Allen said.

Peabody was aware that visibility levels would be a factor in the permit process, Allen said.

Newell said a federal land manager with the U.S. Park Service at Mammoth Cave follows federal, not state, criteria for visibility levels at national recreation and park areas. Although the cave is the main attraction, the park covers more than 52,000 acres and has been designated an International Biosphere Reserve.

Regardless, the concerns about visibility puts Peabody "between a rock and a hard place," Newell said, noting that the land manager's concerns about the permit could lead to a court battle.

"We're not going to issue a permit that's going to be challenged by the federal land manager," Newell said.

"We can't move forward with what we have," he said of the existing plant proposal. One option being considered is reducing the plant's generating capacity, he said.

MESSENGER

MADISONVILLE, KY TUESDAY 10,900 AUG 7 2001

Buttelle's

1 96 XX...

Power plant permit process is delayed

CENTRAL CITY, Ky. (AP) — A proposed coal-burning power plant has run into a delay because of concerns about its emissions on visibility levels at Mammoth Cave National Park, a state official said.

The concerns, raised by officials with the U.S. Park Service, have delayed the permitting process for the proposed Muhlenberg County plant, said Don Newell, with the state Division of Air Quality.

"They've got a real problem, because they're so close to Mammoth Cave," said Newell, the combustion section supervisor within the division's permit review branch.

Peabody Energy wants to build the plant along the Green River, about 60 miles west of the park. The plant would sell wholesale electricity

Bob Carson, air resources specialist at Mammoth Cave National Park, said preliminary information from the plant's developer indicates plant emissions would lower the park's visibility by more than 5 percent during 49 days each year. Carson said the park's visibility already is reduced to nine to 13 miles on the haziest days, which is caused partly by pollution.

Carson said the park service has expressed concerns to the state.

"What we're asking is they take a good look" at the proposed plant, he said in a telephone interview Monday.

Kenny Allen, a Peabody Energy executive, said last week the company is working with regulators and new technologies to reach satisfactory levels.

September, 2001

Coal Age, September 2001

PEABODY OPENS KY. THOROUGHBRED OFFICE

Peabody Energy opened a local Thoroughbred Energy office in the Career Advancement Center in Central City, Ky. The office will provide a local resource for questions and vendor opportunities for the Thoroughbred Energy Campus, Peabody's planned joint venture consisting of a 1,500-megawatt coal-fired electricity generating plant and underground coal mine.

The Thoroughbred Energy Campus would create about 500 permanent jobs through the generating facility and coal mine. Once online, the operations are expected to inject \$80 million in direct economic benefits over the plant's 40-year life. Thoroughbred is modeled to be the cleanest coal-based power plant of its size east of the Mississippi River.

Interested parties should contact Thoroughbred Energy Office, Career Advancement Center, 630 Cleaton Road, Central City, KY 42330; Tel: 270/338-0311; Fax: 270/338-5530; E-mail: thoroughbredenergy@peabodyenergy.com.

AND THE

THE ALBUQUERQUE TRIBUNE

Tuesday, September 11, 2001

LETTERS TO THE EDITOR

Our ideas on power plants

In a recent opinion piece ("Good ol' boy Pete becomes point man for more 'insults," Insight & Opinion, Aug. 24), V.B. Price raised concerns about Peabody Energy's so-called plans to build a coal-based power plant in New Mexico. We would like to engage in an evenhanded discussion about New Mexico's energy environment and share our philosophy about generation development.

Today's energy headlines underscore an increasing need for low-cost electricity. In New Mexico, energy demand has grown at a rate of 2.5 percent over the past four years. If this growth remains stable, the region — which receives 85 percent of its energy from coal-based generation — would require a 60 percent capacity increase in the next 20 years.

A well-conceived energy policy should ensure that the growing need for low-cost energy is met, seek continued environmental improvement and recognize the need for diversity of generation sources. Responsible development of new electricity sources is in the public interest and should be encouraged.

Peabody is exploring power generation opportunities throughout the nation where we have access to transmission, water, land and coal. Our concept is to design projects using state-of-the-art technology that would: provide low emissions and low-cost electricity; create competitive, high-paying jobs; and bring significant, long-term economic benefits to communities.

Our first project is known as the Thoroughbred Energy Campus, a proposed 1,500-megawatt coal-

based power plant and underground mine on reclaimed lands in Muhlenberg County, Ky. Thoroughbred is modeled to be one of the lowest-cost and lowest-conting major coalbased plants east of the Mississippi.

Peabody will continue to explore opportunities but has no new generation project plans to announce in New Mexico or elsewhere at this time.

However, we are increasing production at our Lee Ranch mining operation near Grants to help serve growing energy markets, which is part of the normal course of business. Lee Ranch employs about 300 workers and annually injects more than \$34 million in direct economic benefits into the area's economy. The operation continually posts record results in safety and has been honored for award-winning reclamation efforts that attract large herds of elk and other wildlife.

Peabody has a long history of stewardship, a track record of managing our operations in a manner that is environmentally sound and a commitment to working with communities to balance a variety of interests.

Any announced generation project, regardless of the location, will be subject to extensive public involvement and open dialogue, an approach that makes good sense for our business and for our stakeholders.

Beth Sutton
Director of public effairs
Peabody Energy
Black Mess, Ariz.

September 18, 2001

COURIER-JOURNAL

LOUISVILLE, KY TUESDAY 232,000 SEP 18 2001

Burrelles

97 Support Services
27 .xzeag 48 .a...

Associated Press 3555

CENTRAL CITY, Ky. — Local leaders have started a letter-writing campaign in support of a proposed coal-fired power plant that Peabody Energy wants to build near this Western Kentucky community.

Western Kentucky community.
Central City Mayor Hugh
Sweatt Jr. said residents have
asked how they can help the
proposed plant overcome environmental concerns and make
it through the permitting pro-

cess.
"This is one thing they can do," Sweatt said of the letter-

writing campaign, which started Sept. 7 in support of the Thoroughbred Energy plant.

Sweatt and other city officials mailed and delivered sample letters and addresses of four state officials to Muhlenberg County officials, friends, relatives and others.

The state officials are Gov. Paul Patton; James E. Bickford and Henry List, secretary and deputy secretary, respectively, of the Cabinet for Natural Resources and Environmental Protection; and John Hornback, director of the cabinet's Division for Air Quality.

The campaign involves getting city and county agencies, businesses, churches, civic groups and schools to customize the sample letters, and then have individuals and their families write letters as well.

The goal is to generate 500 letters to each of the four state officials, Sweatt said. He brought the matter before the City Council, which voted Wednesday night to participate, as did the Central City Chamber of Commerce's board of directors on Thursday.

"I don't think it's going to be a numbers game," Sweatt said.

Officials launch campaign

backing Muhlenberg power plant

"It's just a pro-active thing, just to let them know we support it."

In Greenville, Mayor Ruthie Lewis said she plans to mail or deliver copies of the sample letters and addresses to council members and will make copies available to city employees.

"We'll do whatever it takes to get this county going," Lewis said.

The sample letters cite an abundance of local coal that can be burned cleanly and the plant's potential economic impact.

The letter-writing idea was pushed along after a federal land manager at Mammoth Cave National Park, downwind from Central City, expressed concerns in August about the impact that the proposed plant's emissions would have on visibility at the park.

An employee of the state Division for Air Quality's permit review branch said at the time that the land manager's concerns, as well as others, had slowed the permitting process.

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Hornback said the plant's permits are still in the technical review phase.

"They (Peabody) and we are still looking at environmental impacts that are projected in the worst-case scenario," Hornback said.

Muhlenberg Fiscal Court Magistrate Malcolm West said he thinks the environmental concerns at Mammoth Cave are unfounded.

"Mammoth Cave will survive this," 'West said, noting that people for years burned coal without any filtering system. "I think more damage to Mammoth Cave is the graffiti ... that's in there."

NEWS-ENTERPRISE

ELIZABETHTOWN, KY TUESDAY 16,500 SEP 18 2001

Burrelle's

43 .xzed. 8 XX....

Letter campaign started in support of power plant

CENTRAL CITY (AP) — City leaders have started a letter-writing campaign in support of a proposed coal-fired power plant that Peabody Energy wants to build near the western Kentucky town.

Mayor Hugh Sweatt Jr. said he hears from residents wanting to know how they can help the proposed plant overcome environmental concerns and make it through the permitting process.

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GLEANER

HENDERSON, KY 11,658 TUESDAY SEP 18 2001

Burrelle's

Muhlenburg County residents campaign to land power plant

Community's support of new facility grows despite environmental concerns

CENTRAL CITY (AP) — City of directors on Thursday. leaders have started a letterwriting campaign in support of a proposed coal-fired power plant that Peabody Energy wants to build near the western Kentucky town.

Mayor Hugh Sweatt Jr. said he hears from residents wanting to know how they can help the proposed plant overcome environmental concerns and make it through the permitting process.

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"We'll do whatever it takes to get this county going," Lewis said.

The samples letters cite an abundance of local coal that can be burned cleanly and the economic plant's potential impact.

The letter-writing idea was pushed along after a federal land manager at Mammoth Cave National Park, about an hour downwind from Central City, expressed concerns in August about the impact the proposed plant's emissions would have on visibility at the park.

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concerns, as well as others, had slowed the permitting process.

Hornback said the plant's permits are still in the technical review phase.

"They (Peabody) and we are still looking at environmental impacts that are projected in the worst-case scenario," Hornback

Hornback said computer models are being used to look at what could happen under different factors, such as the types and maximum amount of emissions when operating at full capacity; atmospheric conditions; visibility impacts; and the possibility of acid rain.

The thinking is "if you're going to be OK under these conditions, you're going to be OK under regular (conditions)," he said. "There are still some unresolved potential environmental impacts."

Muhlenberg County Fiscal Court Magistrate Malcolm West said he thinks the environmental concerns at Mammoth Cave are unfounded.

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TIMES-TRIBUNE

CORBIN, KY
TUESDAY 7,100
SEP 18 2001

Burrelles

31 .xze.. 67 XX....

Letter-writing campaign started for proposed power plant

CENTRAL CITY, Ky. (AP) — City leaders have started a letter-writing campaign in support of a proposed coal-fired power plant that Peabody Energy wants to build near the western Kentucky town.

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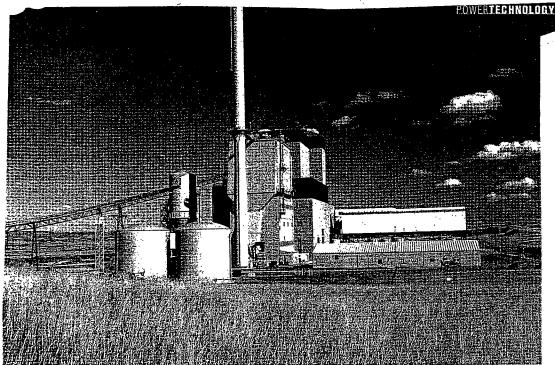
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October, 2001

3.1.16 October 2001 Newspaper Articles



The Neil Simpson Unit 2, in Gillette, Wyo. is the first U.S. application of a circulating dry scrubber with a precipitator, (Photo courtesy Black & Vealch)

Jeaning American Coal

By James Luckey

Technologies that can burn coal cleaner and with greater efficiency will receive a funding boost under President George Bush's energy plan. What future for clean coal?

arriers to advancing any kind of power generation come in three forms: economic, political and technological. An October 2000 Energy Markets article on the state of coal-fired plants suggested that a competitive fuel market, the need for fast-track power schemes and legislation were hurdles to the progress of new power stations. What a difference a year makes.

Energy crises, volatility in gas prices and a worldwide focus on cutting emissions have brought the hard fuel back into serious consideration. Perhaps this should not be surprising—with attention being paid to the energy needs of the future it is worth noting that coal reserves by far outstrip those of gas. If clean, efficient and economic methods of burning coal for power become the norm, it will solve many a supply problem.

Clean coal technologies (CCT) encompass any method

with the prime ideal of burning the fuel with fewer emissions. Many differ in the resulting level of efficiency produced. At one level there is emission-reducing equipment such as flue gas desulphurization, and low NO_x burners. Additionally, there NO_x reduction techniques, such as reburning, and e of technology, along with circulating fluid-bed . b, combustion, pressurized fluid-bed combustion (PFBC) and integrated gasification combined-cycle (IGCC) that research and development (R&D) work focuses upon.

TAX BREAKS FOR CLEAN COAL

Undoubtedly the biggest boost to CCT was President Bush's long-awaited energy plan in May this year. In unveiling the proposals, Bush pointed to the Department of Energy's (DOE) estimation that a minimum of 1,300 new power plants would be needed in the next 20 years to meet energy

demand, which is expected to rise 45% by 2020. Aside from the headline-making controversy over nuclear power and Arctic drilling, it was widely overlooked that the plan makes provisions for \$10 billion in tax breaks during the next 10 years for energy efficiency -\$2 billion of this is set aside for clean coal development. Legislation recently passed in the U.S. House of Representatives also made a provision of \$900 million for R&D. Coal power already accounts for about 55% of all U.S. electrical capacity; with the tax breaks, that figure could rise.

Emmission-control equipment aside, the technologies winning favor tend to focus on advanced steam cycles or fluid-bed combustion.

"Energy shortages in the western U.S. beginning in the fall of last year brought increased awareness to the U.S. electricity needs," says Alex Silver, vice president of Black & Veatch's Energy Sector Consulting Services group. "Much of the western situation was caused by natural gas shortages and accompanying high prices. Coal has once again been

Power Magazine - October 2001 Page 2

recognized as a plentiful, low-cost alternative to natural gas, and interest in coal project development in the U.S. has increased dramatically in the last six months."

This is backed up by figures released by the DOE in March showing that low NO_X burner sales in the U.S. have surpassed the \$1 billion mark. These burners can reduce nitrogen oxides by around 40% in older coal-fired plants. Some 32.5 gigawatts of coal power capacity are fitted with the burners, approximately 75% of all such plants in the country. Another 23.5 GW make use of coal-reburn tech-

nology. The success of the low NO_x burners has been attributed to the U.S. Clean Coal Technology Demonstration Program, which began in 1986.

IGCC TOO CAPITAL INTENSIVE

Other technology for low-emission coal power is still proving too expensive—certain CCIs are highly capital intensive compared to the standard CCGT gas-fired plant.

"Capital costs remain an overriding concern," says Silver, "as well as operational challenges. IGCC facilities have not yet achieved the availability/reliability levels of conventional

gas-fired combined-cycle facilities, extended commissioning cycles are common, and the projects are not commonly thought of as well suited for load following and cycling."

IGCC and PFBC have a significant differential in their estimated costs (\$1,500 per kilowatt and \$1,100/kW respectively, in 1999 dollars) and Silver reckons that, at present, large-scale development (of IGCC in particular) is likely to be limited to areas where the cost of natural gas or LNG is high; economic incentives are available to alternative technologies; or environmental requirements limit the use of conventional coal combustion technologies.

Peabody Energy is the largest private-sector coal company in the world, fuelling 9% of U.S. electricity and 2.5% world-wide. Its spokesman, Vic Svec, suggests the way to reduce cost on certain CCTs is partnership. "There are strong advantages to having public and private partnerships on clean coal technologies at a variety of levels, whether it's at the precombustion phase or removing gases from the airstream," he says.

There are signs that the power industry is responding to the twin needs of new power in the U.S. and cleaner, more efficient plants. In May, just before Bush unveiled his energy plan, a government competition for clean coal projects (Power Plant Improvement) attracted 24 proposals totaling \$535 million, of which \$251 million was requested from the federal government. Svec says the U.S. need for new baseload generation has created an environment whereby coal-fired plants are being proposed for the first time in 15 to 20 years. "The DOE brought out a study recently that shows around 30,000 megawatts of new coal-based capacity proposed in the last year."

Emission-control equipment aside, the technologies winning favor tend to focus on advanced steam cycles or fluid-bed combustion. Initiatives to reduce nitrogen and sulphur emissions by installing selective catalytic reduction (SCR), low-NO_X burners, desulphurization systems and flue gas scrubbers, have the effect of controlling pollution specifically. However, they do not address the core issue of cycle-efficiency improvement, which is a critical factor for

coal to compete with oil or gas.

"Supercritical and ultra-supercritical cycles are being studied with renewed interest in the U.S.," says Silver. "Increased cycle efficiencies require higher capital costs required for the technologies. Environmental considerations (reduced greenhouse gas emissions because of lower fuel usage for the same amount of energy) are an offsetting consideration."

Once-through supercritical and ultra-supercritical boilers use increased steam pressures and temperatures to boost efficiency. The technology offers higher cycle efficiencies, and lower $\rm CO_2$ emissions, fuel costs, and $\rm SO_2$ and $\rm NO_x$ emissions per kWh of electricity, using proven and familiar components.

THOROUGHBRED PROJECT

Silver says that Black & Veatch has certainly welcomed the renewed interest in coal power "The increased interest in coal during 2001 has generated a great number of requests for technology and economic studies. A number of projects are in early stages of development." For

example, the team is currently working with Peabody on its 1,500 MW "Thoroughbred Project," which will be located in Kentucky and is currently in the permitting process.

Thoroughbred Energy Campus, Peabody's planned joint venture, consists of a 1,500-MW coal-based plant and underground mine. Once online, the operations are expected to inject \$80 million in direct economic benefits to the area during the plant's 40-year life. Thoroughbred is modeled to be the cleanest coal-fired power plant of its size east of the Mississippi River.

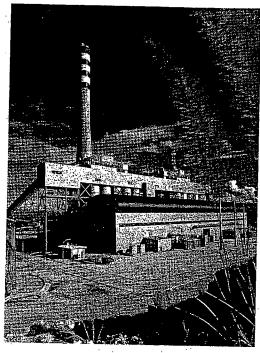
It remains to be seen whether the 1,300 new plants in the U.S. touted by Bush involve specific clean coal technologies. At the start of August, there was concern about Environmental Protection Agency (EPA) plans to replace many of the federal clean-air rules for power plants. The outcome of an EPA report into the Clean Air Act could have repercussions for coal power. There are some in the Bush administration that see the act as an impediment to growth in power generation.

In the meantime, Silver comments that in the current political climate, economics will come first, not technology. "The U.S. is seeing a shift to very competitive, market-driven economics, and the need to keep delivered costs as low as possible has not encouraged applications that may be 'cleaner,' if the capital costs are higher without offsetting fuel-cost savings." He adds that Bush's acknowledgement of clean coal "will certainly encourage projects employing modern, proven, efficient projects."

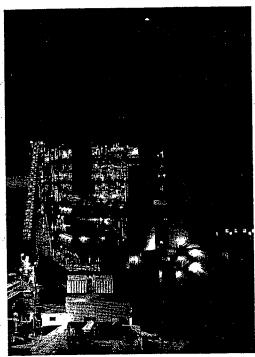
Those immediately involved in the coal industry though are encouraged. "I think it [Bush energy plan] is a solid boost," says Svec. "Put into perspective, if you look at any type of forecasts, they show a significant amount of coal use going out 20 to 30 years or beyond, because we have a 250-year supply here in the U.S. It is appropriate therefore that we find ways to use our most abundant resource in a cleaner fashion. The president's proposal acknowledges really that the U.S. is the 'Saudi Arabia' of coal—it is a basic national treasure vital to our energy policy."

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Power Magazine – October 2001 Page 3



The Pagbilao Power Station, in Queson, is the largest build-operate-transfer project in the Philippines. (Photo courtesy Black & Vealch)



The AES Barbers Point is a 180-MW circulating fluidized bed plant, the first large coal-fired plant in Hawail. (Photo courtesy Black & Vestch)

October 28, 2001

STATE JOURNAL

FRANKFORT, KY SUNDAY 10,000 OCT 28 2001

Burrelle's

51 .xzed. 67 XX...b

By CHARLES WOLFE Associated Press Writer 3535

Gov. Paul Patton on Friday said the state perhaps should let the market decide how Kentucky's "emission allowances" — essentially permission slips for air pollution — get parceled out among electric plants.

That would be a departure from the policy of the Natural Resources Cabinet, which is reserving 95 percent of credits for existing utilities and only 5 percent for future generators.

The cabinet's Division of Air Quality issues permits and enforces air standards

that are required of utilities and smokestack industries. One credit is for one ton of nitrous oxides, which in warm, sunny weather react with other compounds to form the pollutant ozone.

Patton floated his idea at a meeting of his own energy advisory council, made up of administration officials, utility executives, oil and gas and coal industry figures and consumer advocates.

Patton asked whether it would be better for utility ratepayers if emission credits were allotted to power plants according to who could produce the most electricity at the least cost. "To me, that's something we ought to look into," Patton

said.

It's an important issue because federal limits on nitrous oxide emissions — called "NOx" emissions in the industry — will be slashed in 2004.

That means fewer emission credits to go around, and the Natural Resources Cabinet has decided that existing plants – the state's regulated utilities – should get 95 percent of them.

At the same time, a host of independent energy companies, not subject to state regulation, have plans to build up to 24 "merchant" plants that would sell electricity on the open market, primarily to customers in other states.

Governor: Change in

pollution credits possible

Some of the plants would burn coal but several would burn natural gas. Kentucky is attractive to merchant plant developers because it is nicely situated within the Midwest power grid and crisscrossed by gas transmission lines.

The 5 percent limit would be exceeded by combined emissions of just two coal-burning merchant plants already granted permits – a Duke Energy-EnviroPower project in Knott County and a Peabody Energy plant at a coal mine in Muhlenberg County. And after three years, a merchant plant would be deemed

an "existing" plant and eligible for the 95 percent pool.

Currently in Kentucky, generating plants can emit a combined 103,000 tons of NOx during the warm, sunny "ozone season" — May 1 through Oct. 31. That is to be cut by nearly two-thirds, to 36,503 tons, by 2004.

The state's regulated utilities contend their 95 percent share of credits is fair because, unlike merchant plants, they are obligated to provide electricity within the state.

In addition, they have spent \$200 million on pollution control equipment, and will spend \$1 billion more by 2004, to meet the new standards, officials said.

In other words, their customers have earned the credits. "They're going to foot the bill to the tune of \$1 billion so that we can buy our way down to the 36,000-ton cap," said Caryl Pfeiffer, director of environmental affairs for LG&E Energy, parent company of Louisville Gas & Electric Co. and Kentucky Utilities Co.

Additional merchant plants would require others to spend even more on pollution controls, Pfeiffer said:

"Merchant plants did not earn any NOx allowances in Kentucky," she said. "Kentucky electric customers should not be required to pay higher electric bills to subsidize out-of-state customers of the merchant plants."

Hayden Timmons, who is on Patton's advisory council and works for the Kentucky Association of Electric Cooperatives, said he did not think Patton was pondering an outright auction of emission credits.

"He's got a very legitimate question about this and he really hasn't made his mind up," Timmons said in an interview.

"Our only contention all along has been that we don't want our customers to have to pay for something that they've already paid for," Timmons said, referring to pollution controls. "We have no problem with merchant plants. We just don't want our customers to have to subsidize anything."

A representative of one coal-burning merchant project, Peabody Energy Vice President Jacob Williams, said Kentucky is a "coal blessed" state that should be cultivating more of a coal-fired electric industry.

"I think Kentucky should consid-

er being a power exporter just like you're a car exporter," Williams said.

Patton has been a supporter of the Peabody project. He did not show the same feelings Friday, toward proposed merchant plants that would burn natural gas.

"I'll be blunt about it," Patton said. "I don't see much advantage to Kentucky to bring in gas we get no revenue from, export electricity we get no revenue from, and they use some of our allowances."

Patton in June imposed a sixmonth moratorium on further applications for air-quality permits while his energy policy board and the Public Service Commission study how merchant plants would likely affect existing electric systems. The policy board's executive director, Amette DuPont-Ewing, said an extension of the moratorium was being considered

October 27, 2001

KENTUCKY ENQUIRER

CINCINNATI, OH 17,830 SATURDAY OCT 27 2001

Burrelle's

Patton looks at pollution allowances

Proposes changes in the way emission credits are parceled out to utilities

By Charles Wolfe 3535 not subject to state regulation, The Associated Press

FRANKFORT - Gov. Paul Patton on Friday said the state perhaps should let the market decide how Kentucky's "emission allowances" - essentially permission slips for air pollution - get parceled out among electric

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The state's regulated utilities contend their 95 percent share of credits is fair because, unlike merchant plants, they are obligated to provide electricity within the state.

In addition, they have spent \$200 million on pollution control equipment, and will spend \$1 billion more by 2004, to meet the new standards, officials said.

In other words, their customers have earned the credits. "They're going to foot the bill to the tune of \$1 billion so that we can buy our way down to the 36,000-ton cap," said Caryl Pfeiffer, director of environmental affairs for LG&E Energy, parent company of Louisville Gas & Electric Co. and Ken-

Additional merchant plants would require others to spend even more on pollution controls, Ms. Pfeiffer said.

"Merchant plants did not earn any NOx allowances in Kentucky," she said. "Kentucky electric customers should not be required to pay higher electric bills to subsidize out-of-state customers of the merchant plants.'

Hayden Timmons, who is on Mr. Patton's advisory council and works for the Kentucky Association of Electric Cooperatives, said he did not think Mr. Patton was pondering an outright auction of emission credits.

question about this and he really hasn't made his mind up," Mr. Timmons said.

"Our only contention all along has been that we don't want our customers to have to pay for something that they've already paid for," Mr. Timmons said, referring to pollution controls. "We have no problem with merchant plants. We just don't want our customers to have to subsidize anything.

A representative of one coalburning merchant project, Peabody Energy Vice President Jacob Williams, said Kentucky is a "coal blessed" state that should be cultivating more of a coal-fired electric industry.

"I think Kentucky should consider being a power exporter just like you're a car exporter," Mr. Williams said.

Mr. Patton has been a supporter of the Peabody project. He did not show the same feelings Friday toward proposed merchant plants that would burn natural gas.
"I'll be blunt about it," Mr.

Patton said. "I don't see much advantage to Kentucky to bring in gas we get no revenue from, export electricity we get no revenue from, and they use some of our allowances."

Mr. Patton in June imposed a six-month moratorium on further

applications for air-quality permits while his energy policy board and the Public Service Commission study how merchant plants would likely affect existing electric sys-

COURIER-JOURNAL

LOUISVILLE, KY 232,000 SATURDAY OCT 27 2001

Burrelles

Patton floats idea of changing emission allowance' policy

Approach differs from plan to keep credits for existing power plants.

By CHARLES WOLFE Associated Press

FRANKFORT, Ky. — Gov. Paul Patton said yesterday that the state perhaps should let the market decide how Kentucky's "emission allowances" — essentially permission slips for air pollution - are parceled out

among electric plants.

That would be a departure from the policy of the Natural Resources and Environmental Protection Cabinet, which is reserving 95 percent of credits for existing plants — the state's regulated utilities — and 5 percent for future generators.

The cabinet's Division of Air Qualthe cannet's Division of An Quar-ity issues permits and enforces air standards that are required of utili-ties and smokestack industries. One credit is for one ton of nitrous ox-ides, which in warm, sunny weather react with other compounds to form the pollutant ozone.

Patton floated his idea at a meeting of his energy advisory council, made up of administration officials; utility executives; oil, gas and coal industry figures; and consumer advocates. A council member said later that he did not think Patton was considering an

actual auction of the credits.

Patton asked whether it would be better for utility customers if emission credits were allotted to power plants according to who could produce the most electricity at the least cost. "To me, that's something we ought to look into," Patton said. It's an important issue because fed-

eral limits on nitrous oxide emissions — called "NOx" emissions in the in-

dustry — will be slashed in 2004.

That means fewer emission credits

However, a host of independent energy companies, not subject to state regulation, have plans to build up to 24 "merchant" plants that would sell electricity on the open market, primarily to customers in other states.

other states.

Some of the plants would burn coal, but several would burn natural gas. Kentucky is attractive to mer-chant plant developers because it is

Kentucky's regulated utilities contend their 95 percent share of credits is fair because, unlike merchant plants, they are obligated to provide electricity within the commonwealth.

situated within the Midwest power grid and crisscrossed by gas trans-

The 5 percent limit would be exceeded by combined emissions of just two coal-burning merchant plants al-ready granted permits — a Duke Energy-EnviroPower project in Knott County and a Peabody Energy plant at a coal mine in Muhlenberg Coun-'ty. After three years, a merchant plant would be deemed an "existing" plant and eligible for the 95 percent

Currently in Kentucky, generating plants can emit a combined 103,000 tons of NOx during the warm, sunny

"ozone season" — May 1 through Oct. 31. That is to be cut by nearly two-thirds, to 36,503 tons, by 2004.

The state's regulated utilities contend their 95 percent share of credits is fair because, unlike merchant plants, they are obligated to provide electricity within the state.

In addition, they have spent \$200 million on pollution-control equipment, and will spend \$1 billion more by 2004, to meet the new standards, officials said.

In other words, their customers have earned the credits. "They're going to foot the bill to the tune of \$1 billion so that we can buy our way

down to the 36,000-ton cap," said Caryl Pfeiffer, director of environ-mental affairs for LG&E Energy, par-ent company of Louisville Gas & Electric Co. and Kentucky Utilities

Additional merchant plants would require others to spend even more on pollution controls, Pfeiffer said.

"Merchant plants did not earn any NOx allowances in Kentucky," she said. "Kentucky electric customers should not be required to pay higher electric bills to subsidize out-of-state customers of the merchant plants.

Hayden Timmons, who is on Patton's advisory council and works for the Kentucky Association of Electric Cooperatives, said he did not think Patton was pondering an outright auction of emission credits.

"He's got a very legitimate ques-tion about this, and he really hasn't made his mind up," Timmons said. "Our only contention all along has

been that we don't want our customers to have to pay for something that they've already paid for," he said, re-ferring to pollution controls. "We have no problem with merchant plants. We just don't want our customers to have to subsidize any-

thing."

A representative of one coal-burning merchant project, Peabody Energy Vice President Jacob Williams, said Kentucky is a "coal-blessed" state that should be cultivating more of a coal-fired electric industry.

"I think Kentucky should consider being a power exporter just like you're a car exporter," Williams said. Patton has been a supporter of the

Peabody project, but he did not show the same feelings yesterday toward proposed merchant plants that would burn natural gas.

"I'll be blunt about it," Patton said. "I don't see much advantage to Kentucky to bring in gas we get no revenue from, export electricity we get no revenue from, and they use some of our allowances.

In June Patton imposed a sixmonth moratorium on further applications for air-quality permits while his energy policy board and the Pub-lic Service Commission study how merchant plants would affect existing electric systems. The policy board's executive director, Annette DuPont-Ewing, said an extension of the moratorium was being considered.

October 23, 2001

Second 1,50

BY CHRIS HOLLY

Putting its money where its money is, Peabody Energy announced Monday it has filed a permit application for a 1,500 megawatt coal-fired merchant power plant; marking the coal company's second major generation investment in less than a year.

Located in Washington County in southern Illinois, the Prairie State Energy Campus would include a six million-ton per year underground

coal mine to fuel the giant plant

Development would begin in late 2002 or early 2003, with a goal of

producing power by 2006 to 2007.

Peabody in February made a splash by announcing construction of a 1,500 MW coal-fined merchant plant, the Thoroughbred Energy Campus, in western Kentucky

Both plants are expected to feature state-of-the-art pollution control equipment that will make the facilities among the cleanest coal-fired plants in the Midwest.

Peabody is also offering at both facilities outreach programs to localcolleges and universities to provide academic research opportunities

involving energy and environmental technologies, carbon man-

agement and biofuel production.

The twin investments seem to be an effort by Peabody—the world's largest coal company—simultaneously to cash in on projected power shortages in the Midwest and to demonstrate. its confidence that coal continues to be the fuel of choice for electric generation in the United States, despite emission con-

"Events of the past year have taught us that reliable, lowcost energy is essential to our economy and that energy independence remains a top priority for America." Peabody Chairman and Chief Executive Officer Irl Engelhardt said in a

The Illinois facility will take advantage of a law approved by that state's legislature that offers generous tax breaks for

facilities that burn Illinois coal.

But Peabody said it continues to explore other generation opportunities "to further enhance the company's long-term growth profile and maximize the value of the company's 9.3 billion tons of coal reserves and 300,000-plus acres of real estate.

ENERGY DAILY

WASHINGTON, DC TUESDAY OCT 23 2001

Burrelles

October 20, 2001

DAILY GAZETTE

STERLING, IL SATURDAY 14,940 OCT 20 2001

677

Peabody Coal will build a \$2 on coal mine and power plant

ST. LOUIS — Peabody Energy Corp. will build a \$2 billion combination coal mine and power plant in Washington County, creating 1,500 construction jobs and up to 500 permanent jobs in an area hit hard by the decline of the state's coal industry, Sen. Dave Luechtefeld said Friday. The 1,500-megawatt "minemouth" plant will burn 6 million tons of Illinois coal annually, said Luechtefeld, R-Okawville. Construction could start within one year, he said.

Peabody spokesman Vic Svec declined to comment on the company's plans but said Peabody officials will make an announcement

Monday in Nashville on the town's which the Marissa mine fed, had courthouse steps.

"It's a very big project," Luechtefeld said. "It's very good news."

The project would be the first major one in the state since lawmakers passed a package of grants, tax breaks and other incentives in June aimed at boosting the state's. coal industry, which was battered in the 1990s when the Clean Air Act made local coal too expensive to burn cleanly. Peabody in 1999 closed its Marissa mine in southeastern St. Clair County, near the site of the planned mine, leaving 400 workers without jobs.

The Baldwin power plant nearby,

switched to Western coal from Illinois' high-sulfur variety.

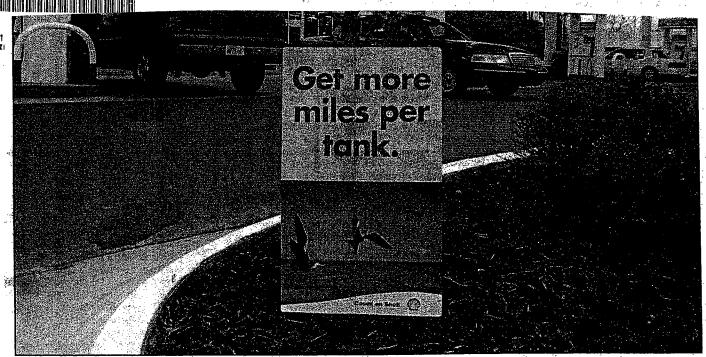
The area is one of those hardest hit along Illinois' considerable coal seam, said Taylor Pensoneau, president of the Illinois Coal Association. Mine-mouth power plants consist of power generators located near the coal mines that feed them. Such plants are cost effective because the coal that fires them does not have to be transported far.

St. Louis-based Peabody, the largest coal producer in the world, owns 2.2 billion tons of coal reserves in southern Illinois and in 2000 mined 182 million tons of coal nationwide.

October 17, 2001

LEXINGTON, KY WEDNESDAY 130,000 OCT 17 2001

'The average driver can save almost a tank of gas a year'



DAVID PERRY/STAFF

Mike Davis, at left, of Lexington pumped some of the new formula Shell gasoline yesterday at the Shell station on Stanton Way off Newtown Pike near the Interstate 75 interchange. The poster in the foreground is an ad for the new product.

Shell marketing mileage with new fuel in area stations

3635

By Risa Brim

HERALD LEADER BUSINESS WRITER

Shell has picked Lexington to test-drive a new, pumped-up gas the company says will give drivers more miles to the gallon.

Shell hopes to use this test market to gauge demand for a new gasoline formula it claims gives up to 5 more miles per tank by reducing friction in the engine.

"The average driver can save almost a tank of gas a year, perhaps more on certain, newer models," said Stu Crum, director of marketing for Shell.

Depending on the results in the Kentucky test market, Shell could roll out the new gas nationwide in May.

The additive Shell developed in conjunction with Texaco Additive International is in all three grades of gasoline and is being sold to retailers at no extra cost, Crum said.

The new gasoline is being offered in Lexington and Eastern Kentucky, where Shell has a 22 percent market share with more than 150 locations in 12 counties. There are more than 20 Shell stations in Fayette County. To support the rollout Shell also launched an advertising campaign with slogans such as "Go Farther on Every Tank."

The ad blitz includes television, radio and newspaper ads and brochures at Shell stations. Shell trained 500 clerks to answer questions about the new gas.

Station owners and customers are reacting favorably.

"These days, you always feel like you're getting screwed with the gas prices, so its nice to know somebody's making an effort to give you more quality for

what you're paying for," said Chris Winston, a Versailles resident. "The question is: Are they setting us up to raise the price or are the stations really going to keep the prices the same."

Alan Cooper of Lexington agreed.

"I think some people would pay a few cents more if they know they're getting better quality, but not much more than that," Cooper said. "For cheap people like me, if they really do give you better gas at the same price, that's a good deal."

But because Shell isn't charging stations more for the gas, customers won't pay more either, said Jay Hall, president at CEO of Thoroughbred Energy, which owns and operates about 45 Shell stations, including all but one in Lexington.

Shell stations in the Bluegrass

Shell is taking a new gasoline formula, which gives up to 5 more miles to the tankful, for a test drive in the Lexington area, where the company has a 22 percent market share. Here's a look at the counties where the new gas is available.



Source: Shell Oil CAMILLE WEBER/STAFF

October 5, 2001

MESSENGER

MADISONVILLE, KY FRIDAY 10,900 OCT 5 2001



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News

Paradise plant to get TVA scrubbers

BY DAVID BLACKBURN

Messenger-Inquirer Special to The Messenger

GREENVILLE—The Paradise
Fossil Plant in Drakesboro will get
One of the five new scrubbers planned
by the Tennessee Valley Authority for
its plants.

Michael Pape, a field representative in U.S. Rep Ed Whitfield's Hopkinsville office, made the announcement during the monthly Greenville Chamber of Commerce luncheon meeting at the First Baptist Church.

"This should help Thoroughbred out," Pape said afterward, referring to environmental concerns about emissions from the coal-powered Thoroughbred Energy Campus that Peabody Energy plans to build near Central City.

Emissions from Paradise, Thoroughbred — which Peabody officials have said would have the latest in emission-reduction technology — and the proposed Cash Creek plant near Henderson would be reduced regionally, Pape said.

Current plans call for using a wet limestone method for the flue-gas desulfurization system, or scrubber, at the Paradise plant. Scrubbers are already in place on the plant's other two units.

"But it might be some other technology if it comes available," said Steve Brothers, the Paradise production engineering manager, "We'll employ whatever current technology allows."

Plant manager Steve Baker said the type of technology used won't be chosen until design work is done, which will likely be in fiscal year 2003 (Oct. 1, 2002, to Sept. 30, 2003).

"There's a lot specifics to be worked out," Baker said

October 2, 2001

COURIER-JOURNAL

LOUISVILLE, KY 232,000 TUESDAY OCT 2 2001

Burrelle's

C. XZeag

Kentucky will need more Speakers oppose Plans for all and a second sec electricity, PSC told plans for plants

By BILL WOLFE The Courier-Journal

Kentucky needs more power plants to generate electricity for in-state use, rather than the flood of plants proposed for generating power that would be exported, several speakers

to export energy

testified at a Public Service Commission hearing yesterday.

The reserve capacity of the state's electric utilities, which traditionally has ranged from about 15 percent to 20 percent, has been on the decline in recent years, and that's a prob-lem, contended speakers such as Warner J. Caines, general manager of the Frankfort Electric & Water Plant Board, which buys its power from Kentucky Ŭtilities.

"I'm concerned about reserves from the standpoint of

the future," Caines said at the hearing, the final of three gatherings to explore the impact of 24 export-oriented "merchant power plants" proposed for Kentucky.

On one occasion, Caines testified, Kentucky Utility's reserves ran low and it had to buy power from other suppliers at a higher-than-normal price. When K.U. passed the increased cost on to customers, the Frankfort utility was hit with an extra \$250,000 bill, he

"Where were the reserves on that day? Will it happen again?" Caines said. "We've not had this problem in the past. We certainly don't want it to happen in the future.'

"There has to be strong consideration of building new plants in the state," said Rob-ert M. Carper, general man-ager of Owensboro Municipal Utilities, which generates its own power but contracts with Louisville Gas & Electric Co. and Kentucky Utilities for reserve power in case its gener-

ators fail.

"Our concern is what the cost of that backup power is," Carper said.

Dennis W. Goins, a consultant representing Gallatin Steel Co., which uses electricity extensively at its Ghent, Ky., mill, said in written testimony that Kentucky's power companies "are relying heavily on pur-chased power resources — primarily gas-fired generation — to meet most of their expected load growth and peaking requirements. Moreover, practi-

cally the only type of generating capacity these utilities plan to build themselves is gas-fired combustion turbine capacity."

Lower reserve margins and dependence on expensive natural gas as a fuel "may potentially lead to reduced reliability, lower standards of service and higher rates" for retail customers, he added.

In oral testimony, Goins said that it's usually more expen-

sive in the short term for utilities to build a large, coal-fired power plant than it is to build gas-fired gener-ators that turn on only when extra power is needed at peak times. But in the long run, he said, Kentucky will need to increase its generating capacity and should encourage coal-fired plants.

He suggested that the PSC encourage the state's utilities to jointly plan, own and operate generators.

Another option, he said, is to establish a public power authority responsible for producing coal-generated electricity, which would be sold to

the utility companies.

Reminded of the shortages and sky-high electric bills that California saw last year under its public power authority, Goins said, "Hopefully, we can learn from other people's mistakes."

The commission will use testimony from yesterday and two previous meetings to prepare a report for Gov. Paul Patton, who has asked for a study on the need for new generating apacity, the effect of the merchant plants on the electric supply grid, the site selection for the facilities and economic-development issues.

The commission also heard from other state and industry experts, in-

cluding Jacob A. Williams, a vice president with <u>Peabody Energy</u>, which plans a large coal-fired plant

in Muhlenberg County.
The St. Louis-based energy company wants to build a \$1.5 billion. plant next to an existing coal mine. It would generate 1,500 megawatts a year for sale on the nation's power markets.

Williams said the Peabody plant would create 400 to 500 full-time jobs. A similar-sized natural-gas plant, he said in written testimony, would create just 50 full-time jobs.

Peabody is responsible for connecting its plant to the state's power grid and for improvements the system would need to take on the extra load from the plant — a \$100 million project, Williams said. But he argued that the state would benefit by opting to pay for system upgrades beyond the "extension cord" connecting the new plant to the system.

Making the state's grid "more robust" would encourage more generation of power inside the state, he said. Paying for the power grid upgrade could raise customers' utility bills by around 2 percent, he said, but it could also have long-range benefits for the state and for utility customers, including lower rates over

the long term.

November, 2001

November 21, 2001

Coal Daily, 11/21/01

CCT Funding On ""nd Of The Industry

, the coal-burning generation andustry approaches a new phase of commercial applications for clean coal technologies, focus has expanded from the science involved in developing new technologies to the challenges involved in testing and financing the new systems, experts attending this week's Clean Coal and Power Conference

The conference was hosted by the Department of Energy in Washington, D.C., as part of an ongoing promotion of the federal clean coal program.

The Bush Administration will kick off implementation of its Vision 21 clean coal program early next year with a solicitation titled the Clean Coal Power Initiative, DOE technical advisor Michael Eastman told conference participants (CD 11/7/01; 5/18/01). The solicitation will include \$300 million-\$400 million worth of funding for the commercial demonstration of clean coal technologies, and will form

e first part of the larger Vision 21 ogram. The solicitation, which will Je released in March and due in July, will focus on upgrading the nation's existing fleet of coal-fired plants, Eastman said. Awards are scheduled to be made in January 2003.

"We can see the technical end of the tunnel to having zero emissions," Peabody Energy VP John Wootten told the conference, echoing the opinion of other panelists that focus should increasingly turn from the purely science-based concerns of the earlier federal clean coal program to methods for proving the viability of clean-coal

technologies.

Peabody is one of several companies already using or planning to use innovative clean-coal technologies on a commercial scale, another Peabody executive said. The company's planned power plants in Kentucky and Illinois will use a range of emissions control systems to remove 98 pct of sulfur emissions. However, Peabody has elected to go with a pulverized coalurning system rather than an even ower-emissions gasification system because the pulverized technology has already been used on a large scale.

In order to convince the marketplace to use new technologies, the federal government must assist in proving that the systems work on a commercial basis. One way to commercially validate technologies while also meeting national power needs is through distributed generation, National Energy Technology Laboratory engineer Abby Lane suggested. Distributed generation includes small power plants that serve either small areas or industrial facilities. New cleancoal technologies could be tested at these small plants for less cost to the government and less risk to the industry, she suggested.

The problem of financing new coal power plants or new clean coal technology upgrades on old power plants was an important issue at the conference, with numerous panelists offering suggestions on how companies could approach financing for projects and how the federal government could help.

Current methods of evaluating the payoff from a new power plant are often skewed towards building a natural gas plant, Enron general investments director Mitch Robinson said. The longer pay-out period and a revival of lower natural-gas prices have made coal unattractive and independent power producers are only likely to build a new coal-fired plant as a hedge against higher gas prices. New clean coal technologies that enable plants to burn waste coal or switch coal types. however, could reduce feedstock prices to the point that new coal-fired plants become

attractive, Robinson said.

The federal government has an important role to play in making the use of clean coal technologies both financially feasible and effective, the NETL's Larry Ruth emphasized. In addition to the Vision 21 program, the group supports H.R. 4, a bill that proposes a range of tax incentives for coal-fired plants. Tax incentives in Illinois played a role in Peabody's decision to site the Prairie State station there. Wootten told the conference (CD 6/13/01; 6/4/01).

In Brief . . .

Peabody Energy expects to receive a draft permit for the planned Thoroughbred Energy Campus in Kentucky by the end of the year (CD 8/8/01; 2/9/01), Peabody VP Jacob Williams told attendees of Clean Coal and Power Conference in Washington, D.C., this week. The company is continuing to meet with Kentucky state permitting officials on the planned 1,500 MW plant.

December, 2001

December 30, 2001

Energy plants new way to plunder Ky.'s wealth

By Robert F. Moore

During the early part of the last century, a young Pike County native named John C.C. Mayo became the owner of thousands of acres of mountain land and, through the use of the broad form deed, became the owner of the minerals lying beneath the surface of thousands of additional acres.

Through the auspices of Mayo and others, much of Kentucky's mineral wealth was taken away to enrich the bank accounts of wealthy people in the nation's northeastern cities. Mayo became one of the wealthiest men in Kentucky history.

Admittedly, the attitude of Kentuckians then was not what it is today. We now recognize that the broad form deed -which provided for removal of the minerals by any means necessary, regardless of what it did to the surface --was an affront to common equity and left many a landowner with property without value.

Likewise, the removal of Kentucky's vast timber resources resulted in a loss of wealth to out-of-state interests.

Kentucky has long been considered a resource for marketers of natural resources. This underdeveloped state has been unable to develop its own entrepreneurs to market its vast natural resources. As a result, Kentuckians have realized little benefit from the state's wealth, giving lie to the word ``commonwealth." Self-interest has resulted in wealth for the few who served the interests of out-of-state owners while doing little for the common wealth.

Now comes the latest in this string of insults. On the table are no fewer than 24 applications to build plants largely for the purpose of generating power for consumption in states that are unable to produce enough electricity for their needs or unwilling to have coal-generation plants in their back yards. The availability of energy sources in Kentucky makes it attractive for out-of-state interests to produce electricity here.

Kentucky is desperate, just as before, for the jobs that would be generated, and local governments are hungry for the taxes the plants would pay. No doubt Kentucky would benefit more from this foray into the marketing of our natural resources than in the past, but the question is whether we can afford it.

By any estimate, the new plants, not designed to provide power for Kentucky, would contribute significantly to sulfur dioxide emissions, which cause acid rain, and nitrogen oxides, which contribute to ground-level ozone. Both compounds are known to be health hazards. In a state that leads the nation in lung-related problems, we can ill afford additional health risks.

We should not limit ourselves to deciding whether to market our natural resources; rather, we should concern ourselves with how to do so with minimal negative impact to the common good.

If we send huge amounts of electricity over the existing power grid, will it result in the need for additional transmission lines? If so, who will pay for the construction? Is it just for the citizens of Kentucky to bear the cost while the producers are able to transport their product without cost over lines built by our power producers and paid for through Kentuckians' electricity bills?

If the generating electricity results in additional health problems, will the state be responsible for paying benefits, or will the power producers recognize their responsibility for the degradation of the general level of health? When our landscape is made a great scar, who will be responsible for restoring the landscape that is so important to the ecosystem that is unique to the region?

The history of enforcement of such regulations is spotty at best. When water sources are polluted, who will pay to clean them up, if they can be, and who will pay to extend municipal water supplies to the hills and hollows of Kentucky?

If we consider the cost to Kentucky's populace, are the benefits of taxes and jobs enough to offset the downside?

In recent years, we have made great strides in reducing harmful emissions from our power-producing plants. There are ongoing efforts to reduce the pollution of underground water supplies. Recently, we saw what can happen to a watershed when a slurry pond breaks (a continuing danger in Kentucky's cavernous land). Why should we take on additional dangers without sufficient benefit to the citizens of the state as a whole and especially to the residents of those places where the resources are mined?

To be sure, Kentucky is hungry for the relatively high-paying jobs that would be generated by mining and for the few jobs at the generating plants. But when we consider the true cost to the state, the question becomes: Can we afford it?

Gov. Paul Patton, to his credit, extended the ban on new power-plant applications so that the state could study such questions. Being a man made wealthy by the coal business and being from a county in a financially depressed area, Patton is more aware of the problems facing Kentucky over these questions than most people are. Now is the time to make hard decisions for the common good and to turn a deaf ear to the special-interest groups trying to sway the decision-making process.

Robert F. Moore of Science Hill owns a heating/air-conditioning business.

December 28, 2001

Power plant permits

Moratorium should include those already in pipeline

For an advocate of "smart growth," Gov. Paul Patton is oddly reticent about taking the initiative in one of the biggest developments to hit the state in years.

The proposed construction of 24 merchant power-generating plants has myriad implications for Kentucky's future.

The state has no way to stop construction of a power plant in an inappropriate site or to steer a plant to where it makes the most sense.

But next month, the General Assembly will begin considering legislation that would do that. Patton, among others, will propose a bill to govern siting of power plants.

It's unclear, however, how much difference -- if any -- a new law would make in the locations of the 24 power plants that already have applied for permits.

Patton should clear up that confusion by expanding his power-plant moratorium to include those that already have applications in the permitting pipeline.

The moratorium, which took effect June 20, did not apply to any of the 24 power plants that already had filed applications with the state. But merchant power projects still awaiting state permits should be required to comply with whatever siting guidelines the legislature enacts.

After all, the purpose of the legislation is to put Kentucky out front of the merchant power trend, instead of playing frantic catch-up. That point was made by environmentalist Tom FitzGerald, a member of Patton's energy policy advisory board, during the board's most recent meeting.

But Patton was decidedly not interested.

In fact, Patton gave the impression that he has made up his mind: Anything that's good for the coal industry is good for Kentucky. And since some of the new power plants would burn coal, Patton is ready to lay out the welcome mat for all wherever they want.

We realize that Kentucky may lack authority to bar wholesale merchants from building power generators in the state. But there are ways the state can shape the industry to minimize its ill effects and maximize the advantages for the state and individual locales.

Certainly, the energy-export industry has serious implications for future development. Last week, Patton and his advisory board heard that economic growth could be curtailed on both ends of the state -- in Boyd-Lawrence and Henderson-Davies counties -- by proposed power plants that will worsen already smoggy air and push those places out of compliance with federal clean air laws.

As a result, vehicle-emissions testing is more likely to be required and restrictions imposed on road construction and new industrial development.

That's just one example. Water is another. Coal-fired power plants and some fueled by natural gas place enormous demands on water supplies and could cause shortages.

The presence of an electrical-generating plant obviously has huge effects on what will develop, or not develop, nearby.

Patton should put the state's long-term interests ahead of those of the power merchants and coal industry. All the merchant power-plant proposals should be included in the moratorium and in his siting bill.

December 24, 2001

Coal Daily, 12/24/01

Ky. Moratorium May Be Extended Another 6 Months

Kentucky Gov. Paul Patton is expected to extend his moratorium on new power plant applications for an additional six months to give state lawmakers time to write new laws to regulate the state's burgeoning energy export industry.

But the moratorium isn't expected to include the 22 pending applications that are currently under review by the state's environmental regulators.

Late last week, Patton told legislative leaders that his staff is preparing legislation to present to them in January, based on recommendations made in two separate reports released last Thursday (Dec. 20). The recommendations were made to the governor's Energy Policy Advisory Board, a task force of policymakers and industry insiders handpicked by Patton this summer.

Both studies indicate the state could handle a flood of merchant power plants, as long as there were energy and environmental restrictions in place.

In the study done by the state **Public Service Commission**, the recommendations include new laws that would ensure local customers get first preference if transmission lines becomes overloaded.

In the study done by the state's Natural Resources and Environmental Protection Cabinet, recommendations include new standards for air emissions, groundwater monitoring, and water pollution. The cabinet's report also called for a study of the environmental impact that may be caused by increased coal mining to fuel more power plants.

Both studies recommend creating an independent board to oversee the power-plant application and siting process

The state's utility companies support a moratorium extension, but merchant plant backers are already threatening to withdraw their applications if the process drags on too long. Among them is **Duke Energy**,

which has already received air permits for two natural gas-fired power plants in Kentucky. Duke has also proposed building a third plant in Trimble County, Ky.

Until the planned legislation is drafted, Patton has called for the moratorium to continue until at least Jan. 11, 2002 (CD 12/19/01).

December 22, 2001

MESSENGER-INQUIRER

OWENSBORO, KY 32,486 SATURDAY DEC 22 2001

THE REPORT OF THE PARTY OF THE Burrelles

Confidence high power plant's still a go

MUHLENBERG COUNTY

Firm says pollution control measures are top-of-the-line

By David Blackburn ssenger-Inquirer

CENTRAL CITY - A city official and a Peabody Energy representa-tive are confident a coal-burning electric power plant will still be located on the Green River just north of the city.

The feelings of Mayor Hugh Sweatt and Vic Svec, Peabody's vice president for external affairs, remain solid despite questions about the impact on the environ-

ment and the state's electricity transmission capabilities.

"There is a need for this product," Sweatt said of the electricity made by burning coal from an underground adjacent mine that would be created next to the merchant plant. He cited the demand from high electricity rates and continued blackouts, especially in the West, he said.

"I feel good about the progress we have made," Svec said of

Peabody's ability to answer questions about emissions the plant would produce burning high-sulfur

Svec said in a telephone interview Friday that he expects the project to receive a draft air permit soon from the state, which is now reviewing the permit application.

The draft air permit would give tentative state approval for the project, pending public input, he said "Someone, somewhere, is going

to do this," Sweatt said. So it might as well be in Muhlenberg County, which had a state-leading 15.4 percent unemployment rate in Octo-

The 1,500-megawatt-capacity plant is expected to eventually create thousands of temporary and

part-time jobs.

Sweatt's comments on Friday came a day after Gov. Paul Patton's Energy Policy Advisory Board met in Frankfort to hear reports from the Public Service Commission and the Cabinet for Natural Resources and Environ-

mental Protection.

Among the reports were PSC concerns that the state's current transmission system was outdated and could not handle the power that would be created if the 24 proposed electric power plants across the state are built.

That will be a problem, Sweatt said, if all of the proposed plants are built.

"This one got its name in the ring early," he said of Peabody's Feb. 12 news conference to announce plans

to build a \$1.5 billion plant. For that event, Patton and about 400 people packed the Career Advancement Center of Muhlenberg County, where an office is located for the proposed. · Thoroughbred Energy Campus.

"As a nation, we do need to make investments in transmission systems," Svec said Friday. He compared it to updating a two-lane road to an interstate in order to handle additional traffic demands.

Svec said recent suggestions that costs for upgrading the state's transmission system should be borne by those producing and benefiting from the extra power will not determine whether the plant will be built.

But Svec, when asked what would happen if Peabody had to pay for the upgrades, said, "We'd have to evaluate that position." Peabody is "in discussions" on transmission possibilities, Svec said without elab-, orating.

On Thursday, Natural Resources cabinet members said coal-burning plants release the most pollutants of all generation plants. The report also said newer emission standards should help reduce pollution.

The advisory board on Thursday also favored forming a panel to decide which merchant plants can be built in the state.

Some have, in recent days, suggested asking the General Assembly to create plant siting regulations that look at, among other factors,

environmental impact.

"That's been the crux of it," Svec said, adding that Thoroughbred will have the latest in pollutant-removal technology. In addition to scrubbers, advanced fabric filtration acts much delayed the permitting process like a vacuum cleaner bag to remove 99.9 percent of particulates and 95 percent to 97 percent of sulfur dioxide, he said.

"How are you going to do any better than that?" Sweatt said of the proposed technology.

Sweatt said he and Peabody representatives have long expected the issue of environmental impact to be raised. That came about in August, when a federal land manager at Mammoth Cave National Park raised concerns about effect of emissions on visibility.

The concerns, which reportedly while Peabody responded, also prompted a letter-writing campaign in September.

Sweatt and other city officials urged city and county residents to write to Patton and Natural Resources and Environmental Protection Cabinet officials in support of the plant. Sweatt said he didn't know how many letters were sent or whether they had an impact.

Sweatt said he would oppose a project that could be proven to cause pollution. But he compared concerns about Thoroughbred's emissions to last year's "millennium bug" that threatened to disrupt computers worldwide.

After two years of "gloom and doom, nothing happened," he said.

David Blackburn, 338-6580, dblackburn@messenger-inquirer.com

December 21, 2001

Published Friday, December 21, 2001 in the Louisville Courier-Journal

NEW POWER PLANTS POSE POLLUTION CHALLENGE Report: State must act to protect environment

By Alan Maimon

The Courier-Journal

FRANKFORT, Ky. -- Kentuckians could breathe dirtier air if the state fails to prevent potential environmental hazards from 22 new power plants, according to an environmental report released yesterday.

A separate report on the impact of the proposed plants on Kentucky's power grid said the grid wouldn't be able to handle the volume of wholesale electricity transfers during high demand if all the plants are built, but is adequate to meet Kentucky's needs.

However, Martin Huelsmann, chairman of the Kentucky Public Service Commission, which conducted the grid study, said brownouts are unlikely. Kentucky's needs will take precedence in any case where the grid is threatened with being overburdened, he said.

Most of the proposed new plants, known as "merchant" plants, would sell electricity to out-of-state utilities during times of peak demand.

The environmental study, a six-month effort by the Kentucky Natural Resources and Environmental Protection Cabinet, said four counties -- Henderson and Daviess on the Ohio River in Western Kentucky, and Boyd and Lawrence around Ashland -- could have trouble meeting Environmental Protection Agency ozone standards if all of the power plants are built.

Ground-level ozone, a key component of smog, results from burning fossil fuels.

Bob Logan, commissioner of the Kentucky Department of Environmental Protection, said the cabinet was confident the plants could operate without unacceptable damage to human health or the environment.

The cabinet and the PSC assessed the environmental and power transmission impacts of the proposed plants in separate reports presented yesterday to the state Energy Policy Advisory Board.

Among the potential environmental problems cited in the cabinet's report:

- Some of the 22 plants proposed since October 1999 could emit arsenic and other hazardous pollutants into the air.
- Water supplies might be inadequate to meet the demands of some of the plants during times of low flow.
- Heavy-metal emissions could make soil around the power plants toxic.

But many of the new plants will use technology intended to reduce pollution emissions, officials said.

If the state takes steps that include implementing EPA standards for nitrogen-oxide emissions, conducting further analysis of air pollution and setting emission standards for pollutants that are currently unregulated, the plants will not create serious environmental consequences, Logan said.

Logan said the state's projections for pollution emissions were based on "worst-case scenario" estimates.

In all, the cabinet made 14 recommendations. They included conducting a study of pollution caused by increased coal mining to fuel more power plants; analyzing how many power plants Kentucky can handle; and requiring all power plants to comply with water-withdrawal rules imposed on most other industries.

"A lot more has to be done so we can make reasoned decisions," Logan said.

The PSC recommended that Gov. Paul Patton extend for six months the moratorium he imposed in June on new power plant applications so the advisory board, state agencies and the General Assembly can consider the plants' impact.

The moratorium is to expire in January.

The PSC said Kentucky's current grid can handle between 6,000 and 7,800 megawatts of electricity but would need to be able to handle up to 11,300 megawatts if all 22 plants are built. The PSC said the operators of the new plants should pay for required upgrades to transmission facilities.

Patton said at yesterday's meeting that he plans to present a package of legislation dealing with power plants to the 2002 General Assembly. It is likely to include a bill to make merchant power plants subject to local planning and zoning requirements. Regulated public utilities are exempt from such requirements.

Utility industry representatives and environmentalists on the energy advisory board agreed that the agencies' reports raised important questions.

"Can we do this? Yes, we can, but we have to do several things to make sure nothing inappropriate happens to our citizens," said George Siemens, a vice president of LG&E.

Tom FitzGerald, director of the Kentucky Resources Council environmental group and an advisory board member, said merchant plants have a responsibility to deliver energy safely and reliably. "I think the clear message came through that merchant plants have to carry their own weight," FitzGerald said.

Patton appointed the advisory board to study the power-plant issue when he imposed the moratorium.

He said yesterday that he would consider extending the moratorium, but not to include any of the 22 applications currently under review.

FitzGerald, interviewed after the meeting, said he was "disappointed that the governor took the position that we could not take pending applications and include them in the moratorium."

Published Friday, December 21, 2001, in the Lexington Herald-Leader

More laws are needed to deal with power plants, studies say

By Andy Mead and John Stamper HERALD-LEADER STAFF WRITERS

FRANKFORT -- Kentucky can deal with the impacts of a raft of proposed power plants, but it will take new laws and regulations, two studies released yesterday say.

A study by the state Public Service Commission said, for example, that a law is needed to ensure local customers get first preference if a transmission line becomes overloaded.

And a study from the Natural Resources and Environmental Protection Cabinet recommended new standards for some air emissions, groundwater monitoring at ash ponds and a law that would require power plants to obtain water withdrawal permits.

The studies were presented to the Kentucky Energy Policy Advisory Board, appointed by Gov. Paul Patton in June as he placed a moratorium on applications for new power plants.

Patton said yesterday he will prepare legislation to present to the General Assembly sometime next month.

As the studies were presented to the board, the governor asked a series of questions -- one of which he clearly labeled ``a loaded question" -- suggesting that he believes any negative impacts from new plants can be overcome.

The environmental study was the first of its kind because it considered the cumulative effects of 24 new plants at 22 locations, said Natural Resources Commissioner Bob Logan, who outlined it for the board.

It said power plants are significant sources of air, water and land pollution, and that most of the pollution comes from coal-burning plants. The study said, for example, that Kentucky is among the Top 10 states in mercury released from power plants (nearly 5,000 pounds last year).

The new plants would not "extensively exacerbate existing conditions" because of new, cleaner technology, the study said.

But it noted that some problems with new plants, especially those that burn coal instead of natural gas, would be similar to problems with existing plants.

And one, the amount of ash produced, would be greatly increased, the study said.

Power plants account for 44 percent of the state's emissions of nitrogen oxides, a pollutant that leads to smog.

The federal Environmental Protection Agency has ordered Kentucky and other Eastern states to sharply cut nitrogen oxides from the plants by 2004, about the same time it plans to impose stricter smog rules.

Logan said four counties -- Lawrence, Boyd, Daviess and Henderson -- aren't expected to meet the new rules, even after reducing nitrogen oxides. The nitrogen oxide levels in those counties will be 3 percent higher in 2004 if the new plants are built, he said.

Increased restriction on industrial sources, and on cars and trucks, might be needed in those areas, he said.

The environmental study also said the Kentucky and Green rivers might not have enough water for existing power plants during extreme flows.

If all 24 proposed power plants are built, the state's tangle of electricity transmission lines also will need expensive upgrades to accommodate electricity being sent to customers in other states, according to the Public Service Commission report.

The upgrades will be required to turn the state's electricity transmission system into a type of interstate highway system, the report said.

State regulators believe those upgrades should be paid for by those who cause them or benefit from them, but that decision is made by the Federal Energy Regulatory Commission.

FERC's current rules are on Kentucky's side, but Chairman Pat Wood has suggested transmission upgrade costs should be passed on to a utility's ratepayers.

What state lawmakers can do is make sure the electricity serving Kentuckians gets highest priority on the transmission grid.

PSC Chairman Martin Huelsmann said his agency is drafting proposed legislation that will require grid operators to curtail power transactions of merchant plants before stopping power that is generated for Kentuckians.

"If we have enough electricity in Kentucky, we shouldn't turn out the lights here to keep them on somewhere else," Huelsmann said.

Published Friday, December 21, 2001, in the Lexington Herald-Leader

Governor advised to extend power plant moratorium

Task force recommends siting board for merchant plants

By John Stamper

HERALD-LEADER BUSINESS WRITER

FRANKFORT -- Gov. Paul Patton appears poised to extend a moratorium on new power plant applications for six more months, giving legislators time to create laws that would regulate the state's blossoming energy export industry.

A recommendation to lengthen the ban was made yesterday by a task force of policy-makers and industry insiders handpicked by Patton this summer.

The governor created the task force to study the impact 24 proposed power plants would have on the state's environment and electricity transmission grid.

All 14 members of the Governor's Energy Policy Advisory Board never actually voted on the proposed extension, which was made by a subcommittee, but no one offered any criticism.

The advisory board also received several recommendations for regulating so-called merchant power plants, which sell their electricity to the highest bidder.

Since Kentucky has the nation's lowest electricity rates, most of the two dozen power plants proposed since December 1999 are expected to export their electricity to other states.

Merchant power plants want to locate in Kentucky because it has a lot of fuel -- both coal and natural gas -- and a lot of electricity transmission lines that can export power north or south.

The advisory board said the idea of creating an independent group to decide where merchant plants can locate in the state `has merit."

Such a group would likely include members of the three-person Public Service Commission, which regulates the state's utilities, and one representative each from the Natural Resources and Environmental Protection Cabinet and the Economic Development Cabinet.

Federal laws, however, would prevent the power plant siting board from stopping a proposed plant simply because the state doesn't need its electricity.

Patton said he intends to build on the advisory boards recommendations and hopes to present a bill to the General Assembly `before the middle of January is over."

Patton did not indicate when he might act on the advisory board's suggestion to extend his moratorium, but it is scheduled to expire Jan. 11. He lengthened his original six-month moratorium, which would have expired Dec. 16, only last week.

Like the governor's first declaration in June, the recommended extension would not apply to proposed power plants that already have under review an application to pollute.

Utility companies in the state say a moratorium extension will give lawmakers time to ensure Kentuckians won't see higher electricity bills because of the new power generators.

Merchant plant backers, on the other hand, said the state might lose large investments that would increase local tax revenues by lengthening the power plant ban.

"If we have to wait too long, that would have a negative impact on our decision making," said Kate Perez, spokeswoman for Duke Energy North America. "We don't see moratoriums as the answer."

Duke already has received air permits for two natural gas-fired power plants in Kentucky and would like to build a third in Trimble County, Perez said.

December 20, 2001

Coal Trader, 12/20/01

Kentucky governor extends power plant moratorium

entucky Gov. Paul Patton has decided to extend for nearly another month a moratorium on permit applications for new electric generating facilities (CO 6/25).

Imposed by the Democratic chief executive June 20 to study the proliferation of new power plant projects in the state, the moratorium was due to expire Dec. 16. But

a report that examines the cumulative effect of new plants on the state's transmission grid and environment will not be submitted to Patton until Dec. 20.

So, the moratorium will remain in effect at least until Jan. 11. A Patton official said the governor wants some time to digest the report, which could end the application freeze or continue it even further.

At the time the moratorium was imposed, state officials insisted it wasn't an outright ban, but rather a chance to deliberate on the environmental and fiscal impacts of the spate of plant proposals, including some coal-fired projects. Several coal-fired projects applied for permits just before the moratorium took effect, apparently having been given a "heads up" on the new rule.

Thus far, the impact on several coal-burning projects has been minimal. During the interim, state agencies such as the **Public** Service Commission and Natural Resources and Environmental Protection Cabinet have been allowed to process applications filed before June 20. Indeed, the PSC gave East Kentucky Power Cooperative the go-ahead a few months ago to construct its proposed 268-MW Gilbert coal unit at its 800-MW Spurlock coal plant at Maysville.

Applications for two major coal projects—Peabody Energy's 1,500-MW Thoroughbred Energy Campus proposed for Muhlenberg County and Cash Creek Generation's 1,000-MW coal plant proposed for Henderson County—were submitted before the moratorium took effect and are under state agency review

Another Kentucky power project under review is Calla Energy's 110-MW waste coal project in Estill County, with its permit application received by the state April 26.

December 19, 2001

2001 Production Gains Erased By Recent Declines

Declining production levels in the U.S. for yet another week have erased most f the gains in production seen earlier in 2001, bringing total production levels for the year to date within striking distance of last year's total production.

Coal loading data from the Energy Information Administration showed decreasing production in a number of major coal-producing states across the country.

Every region of the country saw significant declines in coal production in the week ended Dec. 8, 2001 compared with the same week in 2000.

In the midwest, Illinois

Year-To-Date Coal Production		
(thousand tons)	Through	
	12/9/2000	12/8/2001
Colorado	27,437	29,759
Illinois	31,808	31,950
Indiana	26,467	35,512
Montana	36,190	34,812
Utah	25,291	25,386
Pennsylvania	70,925	73,639
West Virginia	150,143	151,949
Kentucky	124,371	123,079
Wyoming	320,318	345,301
Source: Energy Information Administration		

production fell by 146,000 tons in a comparison between the two periods, clocking in at 523,000 tons loaded in the week ended Dec. 8, 2001. Kentucky also saw significant declines, falling 311,000 tons to 2.4 million tons shipped in the week ended Dec. 8, 2001, down from 2.7 million in the week ended Dec. 9, 2000.

Western production also saw significant declines, with both Utah and Montana reporting significantly reduced coal loadings compared to last year's levels. Utah shipped 372,000 tons, down 188,000 from the 560,000 tons the state shipped last year. Montana shipped 183,000 fewer tons in the week ended Dec. 8, 2001, down to 631,000 ton shipped from 814,000 tons for the same period in 2000.

Finally, eastern production also suffered, as Pennsylvania shipped 1.25 million tons in the week ended Dec. 8, 2001, down 305,000 tons from the 1.56 million tons the state shipped for the same week last year. West Virginia production fell by 205,000 tons in a comparison of the same periods.

Coal Daily, 12/19/01

Overall domestic coal loadings in the U.S. was 21.56 million tons for the week ended Dec. 8, 2001, down 1.42 million tons from last year's shipments of 22.99 million tons in the comparable week. While total production remained slightly ahead for the year-to-date at 1.06 billion tons, up from 1.02 billion tons for the year-to-date period ended Dec. 8, 2000, the production gap continued to narrow as week-on-week data continued to show declines.

Declining spot coal prices in a number of regions may have played a role in decreasing coal shipments. Spot prices have softened in the east and the midwest in recent months, reflecting decreasing demand. Unusually warm weather across the U.S. has reduced burns at utilities, allowing them to catch up on stockpiles. Additionally, companies, including Massey Energy, have blamed declines and bankruptcies in the steel industry for some declines in coal sales and shipments (CD 12/3/ 01).

Some worries about future production shortfalls arising from union strike action were partially alleviated last week when it emerged that the United Mine Workers of America had reached a tentative agreement with the Bituminous Coal Operators Association (CD 12/17/01).

Ky. Extends Ban On New Plant Applications

Kentucky Gov. Paul Patton (D) has extended his moratorium on new power plant applications until Jan. 9, the state confirmed. The sixmonth freeze on applications expired this week (CD 6/21/01; 6/19/01).

The extension allows the state time to review recommendations by its **Energy Policy Advisory Board**.

The Board, which meets Thursday, is expected to make recommendations to the governor on the future of new power plants in the state. Reports from the Natural Resources and Environmental Protection Cabinet on environmental effects of new power plants and the Public Service Commission on the need for electric generating capacity will be presented (CD 12/5/01). In addition, the Board will hear presentations from its subcommittees on NO_x allowances, the plant moratorium and the siting of power plants.

The governor is expected to attend the meeting, a Patton spokesman said.

December 18, 2001

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SECTION INDEX

NEWS

- City & Region
- Nation & World
- Weather
- Corrections
- Obituaries

SPORTS

- Sports News Outdoors (Sun)
- FanFare (Sun)

FEATURES

- •Preview (Sun)
- Ky Life (Sun)
- •Weddings (Sun)
- On Campus (Mon) ·Living Well (Tue)
- Bluegrass
- Communities (Wed)
- You (Thu)
- Weekender
- Home & Garden
- (Sat) •Faith & Values (Sat)
- ·Frontiers (Thu)
- Food
- TV Listings

BUSINESS

- Business News
- Business Monday Technology/Your Money (Sun)

OPINIONS

- Opinions Page
- Columnists
- Letters to the Editor
- Submit a Letter
- Books

SPECIAL REPORTS

- Census 2000
- 2001 Summer Camp Guide
- 'Do it up right: Black hair is beautiful
- · Rites of Passage
- 2000 CATS scores
- · CATS School Report Dart on Va

effects

environmentalists fear proposed plants'

By Andy Mead

HERALD-LEADER STAFF WRITER

Most of the attractions at Mammoth Cave National Park are underground, but park officials fear an above-ground threat, wafting in on the breeze:

Pollution from some of the two dozen new power plants being considered in Kentucky.

Their prime concern is the Thoroughbred Generating Campus, as Peabody Energy's proposed 1,500-megawatt plant in Muhlenberg County would be called.

Burning coal produces emissions that can be harmful to human health -- in the park, the new plant's emissions could add more haze, further acidify rain and harm endangered species, officials say.

Among the species at risk from mercury from the Thoroughbred plant are Kentucky cave shrimp, young Indiana bats, several kinds of mussels and a plant called Eggert's sunflower, said Mark DePoy, the park's chief scientist.

But it's not just the Thoroughbred plant that has the Park Service's attention. John Bunyak, who is in charge of reviewing power plant applications for the agency's air resources division, says he is worried about the cumulative impact of all the plants proposed in Kentucky.

No one expects all 24 applications the state received in the past two years or so to translate into power plants, especially in a weakened economy.

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-Health in rural
Kentucky
-Cleaning up
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there are increasing concerns about what any number of new plants could mean for the state's environment.

Environmentalists such as Bunyak are anxious to see an analysis, due Thursday, of what the new plants could mean to the state's already polluted air.

The analysis by the Natural Resources and Environmental Protection Cabinet will be presented to the Governor's Energy Policy Advisory Board. Gov. Paul Patton appointed the board last summer as he placed a moratorium on new applications.

Bunyak said he is ``wondering how many are out there in the wings" when the moratorium expires Jan. 11.

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Clean + dirty = dirtier

The state's coal and its confluence of natural gas and power transmission lines are attracting new plants that generally are cleaner than those now providing electricity to the state.

But because they will be adding to pollution from the older plants, their improved technology doesn't mean they will make Kentucky's air cleaner.

"They are not being proposed to replace the existing plants," said Tom FitzGerald, executive director of the Kentucky Resources Council, a private group that provides legal assistance on environmental issues.

And, he notes, most of the proposed plants are so-called merchant plants that will sell the power they produce on the open market, instead of to a "base load" of regular Kentucky customers.

"They are additional pollution being centralized in our airshed in order to meet the energy needs of ... other states," FitzGerald said.

The prospect of so many new plants has gotten the attention of the American Lung Association of Kentucky, said Carolyn Embry, the organization's director of environmental affairs.

That's because power plants help create ground-level ozone, or smog, which can burn lung tissue and eventually cause scarring. It is especially a problem for children, older people, and people with asthma or other respiratory diseases.

Last year, using numbers reported to the government by power plants, the U.S. Public Interest Research group ranked Kentucky in the Top 10 states with pollution from coal-fired power plants.

The ranking came out just days after three state agencies advised that eating more than one serving a week of fish from Kentucky waters might not be safe for children younger than 6 and women of childbearing age. Tests showed the fish contain levels of mercury that exceed safety standards set by the federal Environmental Protection Agency. A significant source of mercury in the environment is air pollution caused by burning coal.

making improvements

John Hornback, who until his retirement Friday was director of the state Division for Air Quality, says Kentucky's air problems are similar to other Southeastern and Midwestern states. And, he said, it's getting better.

Sulfur dioxide emissions in the state went from 905,000 tons in 1990 to 585,000 tons last year, a decrease of 35 percent. Sulfur dioxide is a key cause of acid rain.

Other ingredients are nitrogen oxides, commonly called NOx, which also are factors in ground-level ozone.

In the summer of 1995, Kentucky power plants put 155,000 tons of nitrogen oxides into the air. During last summer's ``ozone season," the number had been reduced to 103,000 tons, thanks to \$200 million in new equipment paid for by the utilities' Kentucky customers.

By 2004, the EPA wants to cap Kentucky's `allowance" for nitrogen oxides at 36,500 tons. Reaching that level is expected to cost another \$1 billion, with the cost again being passed on to Kentucky ratepayers.

But emissions of both sulfur dioxide and nitrogen oxides could increase if the new power plants buy allowances from other states. A sulfur dioxide allowance market already is in place. The nitrogen oxides market is just developing.

In the unlikely event they all are built, the new plants would add 32,000 tons of sulfur dioxide and 20,000 tons of nitrogen oxides to Kentucky's air each year.

"Emissions won't be quite as low as they would have been without the new facilities in place," Hornback said. "But they are still going to be substantially, significantly lower than they've ever been in the past."

In the long run, he said, the downward trend will continue.

"The new power is being generated with less emissions than the old power, and over time, that's going to work itself out," Hornback said. "We're obligated morally and ethically to produce the power that our citizens need, and we're obligated under the Clean Air Act to do that in

a way that still meets the standards the act requires."

The state's current plan is to give 95 percent of the 36,500 allowances for nitrogen oxides to existing power plants, with newcomers sharing the other 5 percent or buying allowances.

After three years, a new plant would become eligible to share in the 95 percent, which means existing plants would have to further reduce emissions of nitrogen oxides or buy allowances for nitrogen oxides from other states. Either way would mean more costs passed on to customers.

Fifteen of the proposed plants are gas-fired peaking plants that will operate only on days when the need is greatest, such as hot summer days when air conditioning use peaks.

When he told the Natural Resources Cabinet to prepare the analysis of new power plants, Patton ordered the agency to give `particular attention" to using coal to generate electricity.

Unfortunately for Kentucky, a coal state that produces relatively little natural gas, gas-fired plants are significantly cleaner than new coal-fired plants. (The lion's share of sulfur dioxide and nitrogen oxides from the 24 proposed new plants would come from the eight coal-fired plants.)

But new coal-fired plants are cleaner than existing coal-fired plants.

Assessing the damage

As the state considers power plant permit applications, regulators try to assess the impact on the area around the plant, Hornback said. If the plant is larger or in an area of the state where pollution already is bad, the assessment is broader.

"It's hard to pinpoint one facility causing dramatic impacts locally," he said. "We just don't normally see a big problem."

The state's new analysis will attempt to address the proposed plants' overall impacts on air, water and soil.

"The problem with that is there's not a lot of good data" on how power plants affect the ecosystem, state Natural Resources Commissioner Bob Logan said. "You have pretty good data on what the human health impacts are, so everybody tends to focus on that."

Gas-fired plants don't have the ash-disposal problems that come with coal-fired plants and generally don't need water for cooling or generating steam.

Environmentalists say they are especially concerned about coal-fired plants because they require large quantities of water and produce tons of ash. And more pollutant taken out of smokestacks means more, dirtier ash.

"The better you are at emissions control, the dirtier your ash is," says FitzGerald, of the Kentucky Resources Council.

But while all 24 proposed plants have submitted air quality permit applications -- and 16 have been issued, mostly for gas-fired plants -- there has been less information available on the water and ash impacts of the coal plants.

So the debate has focused on air pollution and on issues such as Mammoth Cave.

Jacob Williams, vice president of generation development for Peabody Energy, says the Thoroughbred plant is designed to have ``the lowest emission rates of any coal plant of its size east of the Mississippi."

But the plant, which is 46 miles west of the national park, would emit nearly 11,000 tons of sulfur dioxide and 6,000 tons of nitrogen oxides each year. That's more than any other plant currently under consideration in Kentucky, and park officials say it's too much, too close.

Bunyak, the Park Service official, said the company's original application called for nearly 20,000 tons of sulfur dioxide.

He commends Peabody for changes that will lower the emissions of that and other pollutants, but he is working with the company and with state regulators for more reductions and for a better analysis of what the emissions might mean for visibility and the health of endangered species.

FitzGerald said the state needs to think broadly about its policies toward power plants, especially those that would generate electricity to be used elsewhere.

"In terms of the costs in air quality, in water use, in the consumption and conversion of land, there is not a whole lot of gain for this state to become the host ... in order to allow the private sector to export that power and export the profit from the state."

Reach Andy Mead at (859) 231-3319, (800) 950-6397 or amead@herald-leader.com.

"there is not a whole lot of gain for this state to become the host" for new power plants

December 16, 2001

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SECTION INDEX

NEWS

- City & Region Nation & World
- Weather
- Corrections
- Obituaries

SPORTS

- Sports News Outdoors (Sun)
- FanFare (Sun)

FEATURES

- •Preview (Sun)
- Ky Life (Sun) Weddings (Sun)
- •On Campus (Mon)
- ·Living Well (Tue) Bluegrass
- Communities (Wed)
- You (Thu)
- Weekender
- Home & Garden (Sat)
- Faith & Values (Sat)
- Frontiers (Thu)
- Food
- TV Listings

• BUSINESS

- Business News Business Monday Technology/Your
- Money (Sun)

OPINIONS

- Opinions Page
- Columnists Letters to the Editor
- Submit a Letter
- Books

• SPECIAL REPORTS

- Census 2000
- 2001 Summer Camp <u>Guide</u>
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becoming energy hub is double-edged sword

Surge in jobs comes with potential side effects

By John Stamper

HERALD-LEADER BUSINESS WRITER

In the spring of 2000, Gov. Paul Patton signed legislation that authorized handing out millions of dollars in tax breaks to lure coalburning power plants to the state.

A year later, after Kentucky had been flooded with proposals for 24 new electricity generators in 21 months, Patton was signing a moratorium that put the brakes on any new power plants.

Patton's office now says the two actions were separate, and equally valid, policy decisions -- but the combination of incentives followed by a moratorium illustrates the odd mixture of love and loathing Kentucky has shown for an industry that brings both sorely needed jobs and sickening side effects.

The state's plentiful coal supply, cheap land, lucrative incentives and lax regulations all enticed the proposals for new power plants, eight of which are already under construction or in operation.

There's just one hitch: Kentucky doesn't need their power.

The state already has the nation's lowest electricity rates, and projections show it won't require even half the electricity produced by the proposed plants for more than a decade.

Called merchant power plants, this new breed of electric generator is built to pump its product out of state, where electrons fetch higher prices.

· CATS School Report What the natural generators would produce for Kentuckians is the threat

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of rising electric bills, rolling blackouts and raunchy air.

Despite such dramatic drawbacks, many Kentuckians have embraced the notion of merchant plants.

The electricity producers provide depressed rural communities with a ready market for their coal, a slew of temporary jobs during construction, and a handful of permanent jobs. Eight of the proposed plants would burn coal.

If all are built -- which is unlikely -- the plants would emit as much as 20,000 tons of nitrogen oxide, a key ingredient of ground-level ozone, every year. Ozone can burn lung tissue, causing scarring in young children, hampering easy breathing for a lifetime.

If they were operating today, the merchant plants would produce 20 percent of all nitrogen oxide emitted in the state.

Proposed merchant plants would also pump 9,859 megawatts of power onto the state's high-voltage electricity transmission lines, equaling the amount Kentucky's regulated utilities now produce.

That might overwhelm the state's already strained power grid, causing a cascading series of blackouts that could leave Kentuckians without lights. Upgrading the transmission system to prevent such cataclysmic outages would cost hundreds of millions of dollars.

If Kentucky's utilities were forced to pay for those upgrades, as some federal regulators have suggested, their customers could be saddled with steep electricity bills for decades to come.

Exactly how dire the state's power predicament might become is anybody's guess.

The declining economy will kill some of the proposed plants, but an economic upturn would probably bring a fresh crop of entrepreneurs hoping to build more.

As a general rule, industry experts predict that only about a third of all proposed merchant plants will actually get built.

Nationwide, more than 524 merchant projects are under construction or in development, according to the Electric Power Supply Association, a trade group for the merchant power industry.

The rate of project cancellations or postponements now outpaces new project announcements.

A fight is looming

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 Archives avaliable back to 1983 <u>NewsLibrary</u> So far, state leaders have met merchant plants and all their potential problems with a split personality.

Patton slapped his six-month moratorium on new electricity generators in June, but the delay didn't apply to proposed plants that already had an application to pollute under review.

A handful of other Southern states quickly followed suit, scared they might become hosts for dozens of power plants whose electricity would fuel distant economies.

"Energy creates wealth where it is consumed, not where it is produced," said Mark Cooper, director of research at the Consumer Federation of America.

Patton, a former coal mine operator, also created a task force of regulators, politicians and industry insiders that has been mulling the complex issue for several months.

On Thursday, that group is set to discuss a proposed law that would limit where power plants can be built in the state. The committee is also expected to recommend that Patton's moratorium, which expires Jan. 11, be extended until a new siting law takes effect.

All this hand-wringing comes just a year after Patton signed incentives legislation that says luring electric plants into the state to burn Kentucky-mined coal `is of paramount importance."

Backers of that legislation and politicians in coal-producing counties say power plants should be welcomed because they employ hundreds of workers during construction, bring sorely needed tax dollars to the coffers of impoverished counties and help pump up the state's coalmining industry, which employs more than 17,000 Kentuckians.

Construction of a coal-fired power plant can often take five years or longer, compared with several months for a natural-gas-burning plant.

So, as the General Assembly gears up for a session of lawmaking in January, a fight among Kentucky legislators is festering over whether the Bluegrass State should become the Energizer Bunny that powers much of America.

A merchant plant's 'oyster'

Kentucky is the Beulah Land of power plants.

The state has everything a merchant power plant operator could want: lots of fuel, both coal and natural gas; lots of high-voltage electricity transmission lines; and lots of places where the fuel supplies and the

transmission lines cross paths.

Geographically speaking, Kentucky is located at the crossroads of the Southeast, Midwest and Northeast, allowing merchant plants to ship their electrons to the region willing to pay the highest price on any given day.

The state's relatively weak environmental rules and non-existent siting regulations only add to its aura.

"You can build a plant in Kentucky because the bureaucracy is low," said Pat Wood, chairman of the Federal Energy Regulatory Commission.

Under current law, a merchant plant in Kentucky has to meet local zoning law requirements, get an air permit and a water permit that say it alone won't have a major environmental impact on the region, and get the Public Service Commission to declare that it is not a utility.

"Once you've done those things, Kentucky is your oyster," said George Siemens, vice president of external affairs for LG&E Energy.

At present, no one is in charge of measuring the cumulative effect a swarm of power plants would have on the state's air quality, electricity transmission system and pocketbook.

That might soon change.

One power plant siting bill has already been prefiled by Rep. Jon Draud, R-Crestview Hills, for the coming legislative session, and the Governor's Energy Policy Advisory Board is reviewing a more stringent proposal.

The tougher law, presented by the Kentucky Resources Council, would create a review process that assesses the cumulative impacts of proposed power plants in the state, not just the impact of an individual plant.

The PSC, which regulates the state's utilities, would oversee the process.

Based on its findings, the PSC could veto any merchant plant it deemed not in the public's best interest.

According to Draud, that should include all merchant power proposals.

"The merchant plants really won't do anything for Kentucky," Draud said. "It doesn't take many people at all to run these plants, so you're not generating jobs for Kentuckians."

Draud got fired up about power plants this past summer after Cinergy proposed placing a small, natural-gas-fired power plant in Erlanger, about 600 feet from a nursing home and about 800 feet from private homes.

The \$50 million plant would provide `peaking capacity," meaning its jet-like engines would turn on only during extremely hot or cold periods, when demand for power is at its peak. Almost all gas-fired plants are considered peaking plants and employ virtually no one after they are constructed.

"We're going to fight that legally to the last breath," Draud said. "It's just not right to put that in the middle of a residential area."

The plant has already been awarded an air permit, although Cinergy pledged it would not begin construction during Patton's six-month moratorium.

Regulating regulators?

The merchant plant industry, which includes some of the biggest companies in the nation and some of the largest coal kingpins in the state, is pooh-poohing any siting legislation as just another layer of red tape.

"I'm not sure that you don't end up with a state-level siting board that is redoing or reviewing work that has already been done by other state and local agencies," said David Schwartz, partner in a small, Louisville-based energy development and consulting firm called The Erora Group. "What happens if the state siting board says this is a good place for the plant, but the local community doesn't want it? Does the state board trump them?"

Erora is developing a 1,000-megawatt, coal-fired power plant in Henderson County that is scheduled to begin operation in 2006 or 2007.

Schwartz said many requirements in the Kentucky Resource Council's draft legislation were designed to protect LG&E Energy from competition. LG&E owns the state's two largest utilities and an unregulated power business.

Among other things, the legislation limits the location of new electricity generators to sites where power plants already exist and requires merchant plants to demonstrate they will not interfere with a regulated utility's ability to serve its customers.

Erora and others also take issue with Draud's accusation that merchant plants will produce little valuable economic development for the state.

"It brings investment to your state, and you have a big economic influx during the construction," said Lynne Church, president of the Electric Power Supply Association. "They pay taxes, and they pay big taxes."

In Church's mind, a power plant is just another manufacturing facility.

Power generators know they don't bring the same economic benefits a Toyota plant does, but they're quick to point out that not every Kentucky county has the luxury of choosing between a new auto manufacturing plant and a new power plant.

"The opportunity presented to a community is ... 'Do you want the power plant or do you want nothing?" Schwartz said.

Estill County Judge-Executive Dwight Arvin says the answer to that question is a no-brainer.

The 110-megawatt power plant planned for his county would employ between 50 and 70 people, each earning \$23.35 an hour, according to documents filed with state economic development officials.

It also promises to burn ugly mounds of waste coal at a former coal wash station and will produce low-cost steam that could help attract other industries, said Charles Yates, president of the Lexington company that wants to build the plant.

"I haven't heard any opposition to it," said Arvin, whose county of 15,600 people has an unemployment rate of 4.9 percent. "We're strapped for jobs. We have a lot of people that travel out of the county that would like to have jobs closer to home."

Incentives for coal

State officials have given local leaders an array of tools to help entice power plants to their communities.

In Estill County, Arvin has used economic development laws to give Calla Energy Partners LLC an "endorsement" that allows the power developer to raise funds for its \$150 million plant by issuing tax-free bonds, which are much easier to sell than tax-bearing bonds.

Power plants that use Kentucky coal are also eligible for a \$2-per-ton tax credit and other sizable tax incentives from the Kentucky Economic Development Finance Authority.

"I can assure you that nobody is going to build a coal-fired power plant without some sort of state economic incentive," said Church, of the Electric Power Supply Association.

The plants are just too time-consuming and financially risky to build

without help, she said.

Calla, for instance, has been given preliminary approval for \$5 million of income tax credits under the Kentucky Rural Economic Development Act.

Two other proposed plants, both with close ties to coal magnate Larry Addington's AEI Resources Inc. of Ashland, have been given preliminary approval for incentives worth \$30 million and \$15 million.

The tables are often turned when natural-gas-fired power plants want to enter Kentucky.

Since gas plants essentially run themselves and use a fuel supply that is mostly imported from other states, developers must offer counties lucrative tax payments before residents are willing to put up with the pollution.

"One of the first things you have to do as a developer is go in and talk to the local politicians," said Larry Wall, vice president of development for Duke Energy North America, which has two gas-fired power plants planned in Kentucky. "You have to talk to them and educate them. If you don't, they won't support the project."

He said local communities are "extremely astute" at extracting benefits from national merchant power companies such as his.

That hasn't always been the case in Kentucky.

For example, Houston-based Dynegy Inc. agreed earlier this year to pay Oldham County nearly \$13 million in taxes over the next 20 years to let the company build a 624-megawatt, natural gas power plant. That deal caused controversy, though, since Dynegy had agreed to pay Lawrence County only \$3.6 million to build a larger, 1,040-megawatt plant there.

Shaky financial footing

Dynegy's Lawrence County plant is already in operation and its Oldham County project is under construction, but the future of many other plants is less certain.

One proposed gas plant in Marshall County is backed by Houstonbased Enron Corp., which filed for bankruptcy protection earlier this month.

The sudden collapse of Enron, which was the dominant player in the power marketing industry, has caused investors in other energy companies to take a close look at the financial underpinnings of the current power plant boom.

Some coal-fired projects are also on the ropes, while others still struggle to get off the ground.

St. Louis-based Peabody Energy's proposal for a gigantic, 1,500-megawatt plant at the mouth of a 5.6 million-ton-per-year coal mine in Muhlenberg County hit a snag when Mirant, the company with which it hoped to partner, announced last month that it would not take part in the \$2 billion venture.

Peabody had previously said it expected to make an announcement about a partner in October or November.

The financial viability of proposed power plants will only get stickier until the economy turns tide.

"Right now, power prices are down versus what they were six months ago, so the profit incentive to build a merchant plant is not what it once was," said Roy Palk, president and CEO of East Kentucky Power Cooperative.

How merchant plants go about making a profit is simple: Make electricity where it's cheap to produce, and sell it where it's expensive to buy.

For example, a coal-fired power plant at the mouth of a Kentucky coal mine could operate more efficiently than one in northern Ohio, where it would have to pay to have its coal shipped by train.

In effect, the merchant plant is betting it's cheaper to move electricity by wire than coal by rail.

To get its power to Cleveland, the Kentucky plant would sell its electricity to a third-party marketer at a Cincinnati trading hub. The marketer would then resell the same amount of electricity to a utility in Cleveland.

This can be a risky business, though, since a glut of electricity for sale at the Cincinnati hub would cause prices to plummet. But if demand outstrips supply, as happened last year in California, the price can rocket upward at a moment's notice.

Siemens, of LG&E Energy, explains the concept this way: "When I was a kid, I would go down to Lake Cumberland, and I would always take three or four six-packs of beer down there with me. You can't believe what a beer is worth on a Saturday night to a thirsty fisherman. Well, it's the same way with electricity."

Traditionally, it has been cheaper for Kentucky's utilities to produce their own power than buy it on the open market.

That makes it extremely unlikely that the state's utilities will shut down their aging generators, for which Kentuckians have already paid, to buy power from new merchant plants in the area.

The volatility of market-based electricity rates also gives regulators at the Kentucky Public Service Commission nightmares.

The three-member commission is charged with making sure the state has an adequate supply of electricity at the lowest price possible.

Since Kentucky's rates are the lowest in the nation, it's hard to argue that regulators should change their ways, Siemens said.

"It's sort of like being a UK ball player scoring 30 points a game and all of a sudden somebody wants to come up and advise him on how to alter his shot," he said. "Well, we might not want to alter too much."

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Power struggle

"I haven't heard any opposition to it. We're strapped for jobs. We have a lot of people that travel out of the county that would like to have jobs closer to home."

The costs of Kentucky's latest growth industry

- Today: Higher electricity rates and new pollution could flow from the new power plants proposed for Kentucky.
- Inside: Many of the nation's power woes were born of a 23-year-old law to help clean up the environment. Page A8
- n Monday: Too many electrons are crowding the state's power grid, posing the threat of rolling blackouts. And more juice is on the way.
- Tuesday: Young children, older people and endangered species could be at risk from the new plants' air pollution.

Back to top

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December 14, 2001

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14 December 2001

Site Menu

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Front Page

Calumnists

Opinion

Classified

Opinion Sections

Editorials Board of Contributors In My View Golden Pen Readers Write **Recent Articles**

Better economic times likely for Muhlenberg

Kirtley's long-range strategy offers hope

Popular Areas



U.S. Constitution

National Anthem

Declaration of Independence

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14 December 2001

Messenger-Inquirer

The jobless rate in Muhlenberg County has nearly tripled in the last year, skyrocketing from 5.4 percent to 15.4 percent -- the highest in Kentucky.

Newspaper In Education Special Publications MI Message Boards Community Calendar Internet Directory

Lottery Results Real Estate Guide Tornado 2000 Slide Shows

<u>Weather</u>

Movie Listings

doodfellows club Contests



Harry Potter Quill & Scroll Contests

The jump is attributed to the closing of SuperValu -- which took 175 jobs -- and the scaling back of operations at the 345-employee Flynn Corp. plant in Greenville. Regardless of the reason, 2,022 of the county's 13,090 workers were out of work in October.

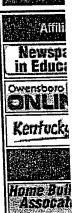
Anyway you spin it, times are tough. And likely the last thing people want to hear about when they are unemployed is patience and vision. But we strongly believe in the leadership of Judge-Executive Rodney Kirtley and think the county is positioned to turn these numbers around.

To reach that point, however, the county has to stay the course and avoid the lack of vision that plagued it in generations past. For years, coal reaped rewards that seem unimaginable today, but it also lulled the county into a false sense of security.

In 1982 there were 2,123 coal-related jobs in the county; by 1996 that number had fallen to 213. Not only were the jobs gone, but during the time of the coal boom, little emphasis was placed on education because most knew they could graduate from high school and go to work in the mines.







The result was a community that had lost, by far, its top industry and didn't have the educated work force to attract businesses in the developing new economy.

In 1998, near the end of his first term, Kirtley laid out an economic strategy for the county that would diversify employment opportunities while focusing on education. He cautioned that the full effects wouldn't be seen for at least 10 years.

There are several reasons to believe the county is on track to meet this goal. The opening of the Muhlenberg campus of the Madisonville Community and Technical College opens the door for many to higher education. When it opened in September, more than 400 students had enrolled.

The county is one of five that partnered to form the Bluegrass Crossings Business Centre, a regional industrial park near Beaver Dam. Expectations are high for the park because of its proximity to important highways, and Muhlenberg County is guaranteed 20 percent of the workers and 15 percent of the tax revenue.

A three-county industrial park -- to be built near Graham -- is in the works with the expectation that it will attract support businesses for those that locate in Bluegrass Crossings.

The runway at the Muhlenberg County Airport was recently expanded to 5,000 feet, the minimum required to allow jets to land. And the county has joined with Hopkins and Crittenden counties in an economic recruitment effort.

Then there is the proposed Peabody Thoroughbred Energy Complex that -- while still relying on the often shaky coal industry -- could create as many as 1,500 jobs when construction begins and 500 permanent jobs when the plant is completed.

Years of failing to plan long-range economic development has come back to haunt Muhlenberg County over the last decade. The county must continue to sustain its efforts of recent years, otherwise the tough times of today will continue into tomorrow.

Back to top

December 10, 2001

ESSENGER INQUIRER

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10 December 2001

Site Menu

Reader Options

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Front Page

News

Columnists, 2-Opinion

Features

Classified

Search

AMERICA UNDER ATTACK

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Region U.S. & World **Double Takes** E-The People **Special Archives Recent Articles**

AD Associated Press Records

Anniversaries Births & Adoptions Courts & Reports **Obituaries**

> Real Estate Weddings

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U.S. Constitution National Anthem Declaration of Independence MI ALERTS

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Weather

foodfellows

Tornado 2000 Slide Shows

Closings, layoffs plague Muhlenberg

10 December 2001

By David Blackburn Messenger-Inquirer

GREENVILLE -- Of the 175 employees who lost jobs when the SuperValu food distribution center closed this past summer, fewer than one-third have found jobs, a former management-level employee estimated recently.

That includes himself, said Rodney Poe, who was human relations director and vice president of finances when his 291/2-year career there ended.

"That's the reality of a small community and the loss of that many jobs," said Poe, who based his estimate on conversations with some of the other former employees.

"You don't have industries come in and offer that big a block of jobs," Poe said.

The SuperValu closing -- 110 employees lost their jobs in May, the other 65 in August -- compounded by other local and area layoffs or shutdowns and an economy slowed by the Sept. 11 terrorist attacks -combined to give Muhlenberg County the state's highest unemployment rate.

The October rate of 15.4 percent, up from September's 11.3 percent, meant 2,022 of the county's 13,090-person labor force were looking for work, state Department of Employment Services figures said.

The unemployment rate was just 6.2 percent in October 2000 when 767 people in a labor force of 12,439 were looking for work.









Harry Potter Quill & Scroll Contests

Some of the increase in the unemployment rate is linked to layoffs in neighboring Christian County, which has the state's second highest rate at 13.9 percent, and in No. 3 (12.4 percent) Logan County, said Carlos Cracraft, a department labor market analyst.

"Our biggest impact was this summer when SuperValu closed," said Leigh Douglas, an employment and training specialist at the Employment Services office in Greenville. State figures show initial claims by Muhlenberg County residents jumped from 249 in June to 632 in July.

Jim Miller with the Employment Services office in Bowling Green added that July is often a "layoff month," when some companies briefly close rather than work around employees' vacations.

Other factors that moved the county toward the dubious No. 1 distinction came soon after the 75-year-old distribution center closed.

Flynn Corp., which makes denim jeans, closed its Central City plant from late August to Nov. 26, affecting 160 employees.

The parent company, Flynn Enterprises in Hopkinsville, then scaled back the 345-employee Greenville plant to four-day work weeks beginning Aug. 6 and did not resume five-day weeks until Nov. 26. In that span, the plant also had one- or two-week shutdowns at least once a month.

"There was a slowdown in sales; it caused a slowdown in production," said Michelle Walker, Flynn Enterprises' human resources director.

"That was what put us up there," said County Judge-Executive Rodney Kirtley, the chairman of the Muhlenberg Industrial Development Corp., of Flynn's layoffs.

Ironically, he said, "We were working with both of them to expand." Flynn was looking to buy more land at its Greenville location, and SuperValu was looking to increase its sewer service to create new offices, he said.

Kirtley, who also cited the slowed economy as a contributing factor, wondered if some people might not be seeking work in anticipation of Peabody's Thoroughbred Energy plant near Central City. It is expected to create hundreds of jobs in its construction and at its coalburning power plant and neighboring underground mine.

Rick Caskey has seen "a significant increase" in the interest in his underground and surface mining classes at Madisonville Community College since the Thoroughbred Energy announcement in February.

"The only thing is it may be premature," Caskey said. Peabody has yet to receive permits to begin construction of the plant, and it isn't expected to open until 2005.

History repeats

"This thing (high unemployment) can go back to the early 1990s when the mines started closing," said Douglas, who began working in the Greenville office in 1991 providing job retraining.

"The impact to the community was just as great as it was back then," Douglas said, because of the large number of SuperValu workers who were terminated in a short period of time.

Another similarity between then and now is the trouble finding new jobs with comparable pay, which usually requires relocation or commuting, Douglas said.

"A lot of college students say they're going to have to move to get a job," she said.

That also applies to displaced older workers, said Poe, who is looking for a management-level accounting or human resources job.

"I'm trying to find something where I can live in Greenville and drive to the surrounding area," Poe said, noting he turned down the chance to stay with the company and move to its Ohio regional office. "This is where the families are."

Poe also noted he and management-level employees were used to raises in established careers and now have to compete with younger applicants for the few, often entry-level, jobs out there.

"Most likely, they're going to take a significant cut in pay," Poe said. The average SuperValu employee had 15 years with the company, and 105 of the jobs were union positions with a \$16.50-per-hour average wage, he said.

SuperValu's departure and Flynn Enterprises' scale-backs were not the only contributions to Muhlenberg's high unemployment rate.

Douglas said a few former Nu-Tech Industries Inc. employees came to her office after the business, located at the Brewco complex in Central City, was sold to Snap-On Tools in August.

Some Muhlenberg Countians lost jobs this fall when VF Imagewear closed two plants in Logan County and moved operations out of the country, Miller said.

Miller and other Employment Services workers also noted that

unemployment rates rise at the end of construction season in late fall.

Looking ahead

Meanwhile, the county is not sitting idly about unemployment.

Kirtley said the county plans to offer the Small-Business Success University after Jan. 1 at the Career Advancement Center of Muhlenberg County in Powderly.

The series of classes, targeted for companies with about five or fewer employees, will teach them how to start or expand their operations, Kirtley said.

The program is being formed by the county; the Greenville and Central City chambers of commerce; and Murray State University's Small Business Development Center in Hopkinsville.

Kirtley also noted that Autoliv, a seat-belt manufacturer in Madisonville, should help when it begins full operations. Applications for employment are being accepted.

Residents also are taking advantage of the educational opportunities now in the county.

"We have seen increases in participation, even in the last couple of weeks," said Cris Crowley, coordinator of the Adult Center for Educational Excellence, which opened its office in the Career Advancement Center in September.

The center also will be the site for surface and underground mining classes for beginners and those needing retraining in January, said Terri Beth Bivins, the liaison for the Central City branch of the Madisonville college.

The local college branch, which opened in August, itself is expected to help, Kirtley said.

"The more educated community you have, the more stable the community is," he said. "We see this as an investment that's going to pay off down the road."

Back to top

Industry and Business Community



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Need for New Coal Based Generation & Expansion of HV Transmission in U.S.

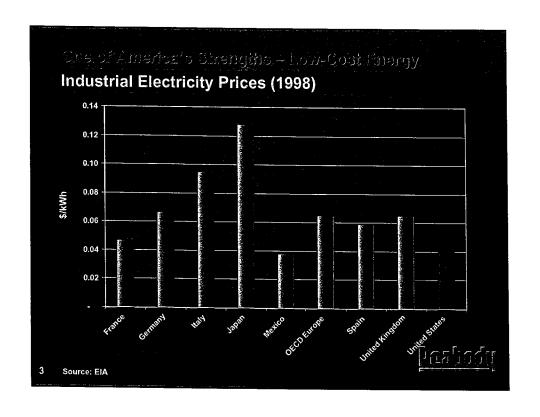
Jacob Williams
Vice President – Generation Development
February 14, 2002

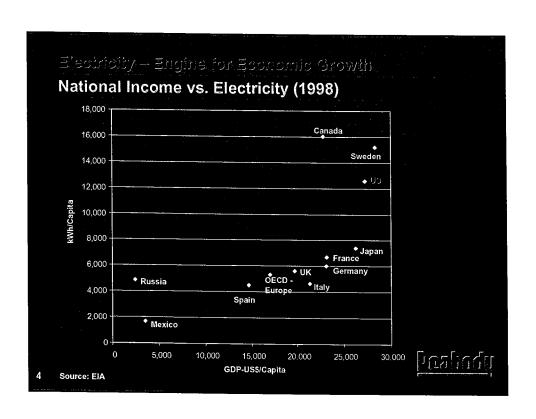
Overview of Peabody Energy

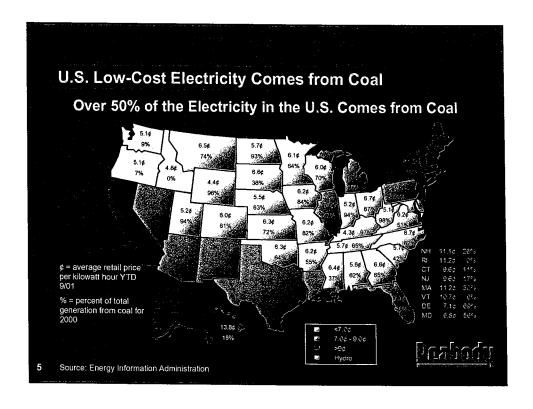


- Largest private coal company in the world
 - Controls 9.3 billion tons of reserves
 - Reserves in major U.S. coal regions
 - Owns more than 300,000 acres of land
- ➤ In 2001, Peabody sold coal to 290 electric generating & industrial plants
 - Peabody fuels more than 9% of U.S. electricity
 - In 2001 U.S. sales were a record 194 million tons

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Changes to Make New Coal Plants Feasible in U.S.

- Load growth of over 60% in last 20 years & essentially no baseload resources added
- Nuclear power plants reaching their output limit
 - **1990**

66% capacity factor

2000

88% capacity factor

- Excess coal baseload generation becoming fully utilized
 - **1990**

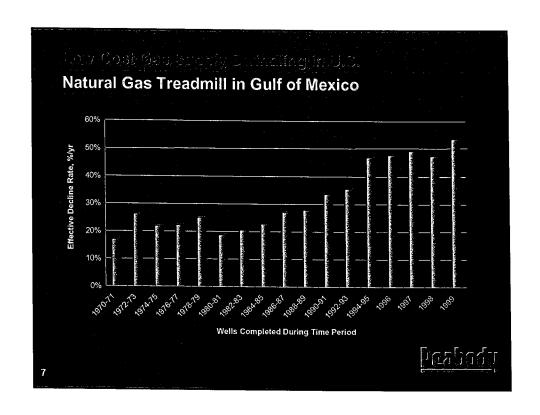
59% capacity factor

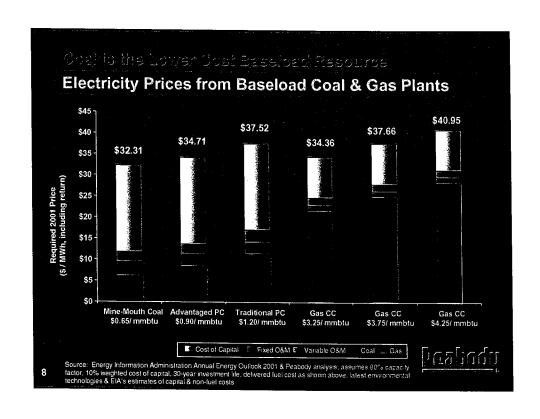
2000

70% capacity factor

- ➤ Weighted average age of coal units is over 30 years
- > Expected load growth of 20% over next 10 years
- Events in California & volatility of gas & electricity prices drawing attention to the need
- Increased need for energy security in U.S.

Pealiedir





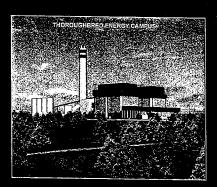
Mine-Mouth Coal Generation Advantages

- Collapses supply chain no transportation costs, lower coal costs & lower working capital
- Eliminates intermediate margins that distort marginal cost
- > Provides certainty to fuel supply assumptions
- ➤ Improves financing characteristics
- Creates greater community support
 - Most regulatory approvals needed from state & area which receives greatest economic benefit

Pashadir

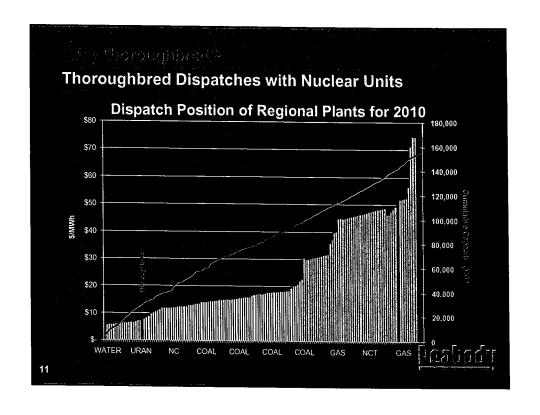
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Thoroughbred Project Background



- Western Kentucky plant to be 1,500 MW, twin unit pulverized coal plant, & 5.6 million ton on-site coal mine
- 4,100 acre site with navigable river, rail & U.S. highway access
- Largest new coal plant in U.S. over last 20 years
- Project cost estimated at \$2.1 billion, including mine & transmission
- Joint Venture company to own & operate power plant & mine
- Expected long term employment
 - 125 power plant
 - 350 mine
 - 1,500 construction 4 years
- > On-line in 2006

<u>Fealindii</u>



Thoroughbred is disan Deal Technology Thoroughbred Environmental Performance

- > Cleanest large scale coal plant east of Mississippi River
- > Sets BACT level in U.S. for pulverized coal unit
- ➤ Equipped with limestone injection, low NOx burners, SCRs, dry precipitator, wet scrubber & wet precipitator
 - SO₂ limit of 0.167 lbs/mmbtu (98% removal)
 - NOx limit of 0.09 lbs/mmbtu (>80% removal)
 - Sulfuric mist removal at 98%
 - Mercury removal 80%
 - Particulate removal of 99.9%
- > Equipped to burn raw coal eliminating gob & slurry issues
 - Coal 9,800 lbs/mmbtu & 8.0 lbs/mmbtu SO₂

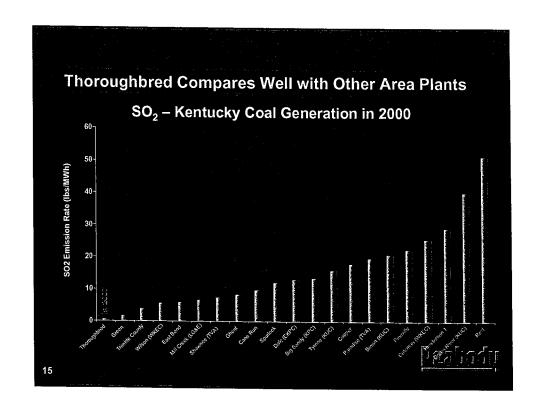
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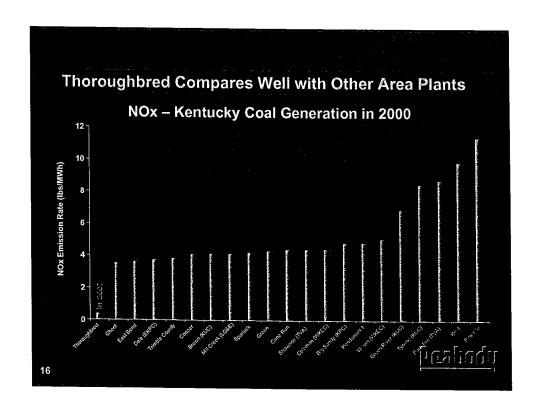
Thoroughbred Will Not Harm Mammoth Cave

- Extensive modeling conducted based on federal guidelines
- ➤ Three years modeled (1990, 1992, 1996)
 - Days exceeding 5% visibility: 2
 - Days exceeding 10% visibility: 0
- ➤ Little evidence of impact at Mammoth Cave, neighboring communities or endangered species



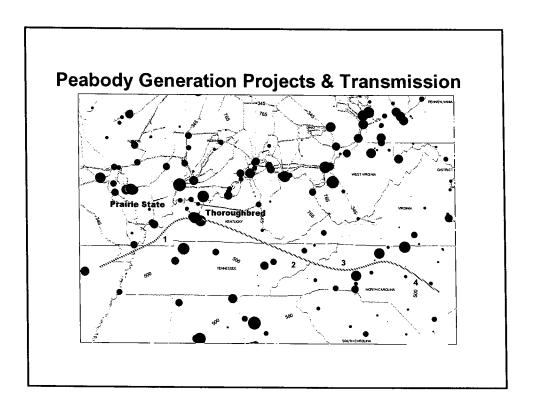
Thoroughbred is Glean Goal Technology Emission Rates for U.S. Coal Electricity Generation							
	<u>(lb</u>	SO ₂ s/MM Bt	<u>u)</u>		<u>(lb:</u>	NO _x s/MM Bt	<u>u)</u>
1980 1985 1990	<u>US</u> 1.94 1.75 1.60	<u>IL</u> 2.57 3.10 2.99	<u>KY</u> 3.52 2.49 2.51		<u>US</u>	<u>IL</u>	<u>KY</u>
1995 2000	1.25 1.04	1.71 0.95	1.43 1.16		0.61 0.44	0.71 0.50	0.79 0.49
Thorought Draft Perm		0.167				0.09	
2000 Non-0	Coal	0.20				0.21	ខេត្តប្រក្





Thoroughbred Status

- Executed a Letter of Intent with an EPC consortium to provide a "fully wrapped" plant for a fixed price with performance & delivery guarantees
 - Working to finalize price over next 6 months
- > State of Kentucky issued the draft air permit on December 28
- ➤ Public hearing held on February 12 in Central City, Kentucky
- > Working to attain over 20 other permits
- ➤ Beginning power sales efforts in the wholesale marketplace
- ➤ Siting Bill



Transmission Concerns in U.S.

- ➤ Over last 20 years, load growth of approximately 60%, but expansion of HV transmission miles less than 20%
- ➤ Over next 10 years, load to grow another 20%, but expansion of HV transmission miles less than 5%
- ➤ Much of U.S. firm transmission capacity contracted next 5 years
- ➤ Lack of excess transmission creating market power for certain generator(s) under various scenarios
- Lack of excess transmission means many power markets solely riding the gas curve
- More generation near urban load centers makes it difficult to meet ambient NAAQS
- ➤ Who is planning U.S. infrastructure to provide low cost energy to allow economic growth in U.S.?

19

Debunking the Myths



Werchant plants will cost existing customers more money...

Overrun transmission system

- ➤ Thoroughbred will pay for all production costs, as well as those for upgrading transmission lines
- Utilities conduct the transmission upgrade studies & indicate which lines will need to be upgraded – merchants pay

respect

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Debunking the Myths



Merchant plants will turn Kentucky into an energy colony... shipping the power out of state!

- Thoroughbred represents very low-cost power for instate use & export
- ➤ Coal & electricity are valuable resources that, like crops & cars, create huge economic gains for Kentucky
- ➤ Kentucky already exports over 10% the utility generation

reshody

21

Drivers of Future Success

Electricity from Coal is...

- > ESSENTIAL
- ➤ AFFORDABLE
- ➤ INCREASINGLY CLEAN

and...

- ➤ Now is the opportunity for economic growth & growth in mine-mouth generation
- Transmission expansion is the one of the keys to new coal based generation

[eallodg

<u>Peabody</u>

News Release

CONTACT: Vic Svec (314) 342-7768

FOR IMMEDIATE RELEASE

February 11, 2002

DATA FOR PEABODY'S PROPOSED THOROUGHBRED PROJECT CONFIRMS LOWEST EMISSIONS IN REGION

ST. LOUIS, Feb. 11 – Peabody Energy today released modeled emissions data for its proposed Thoroughbred Energy Campus that show Thoroughbred will have no significant contribution to the area's scenic views and will be the lowest-emitting pulverized coal plant of its size east of the Mississippi River. The power plant has been designed with an industry leading application of advanced environmental controls to protect air quality.

Thoroughbred's emissions of sulfur dioxide (SO₂) will be 82 percent below the average SO₂ emission rate for Kentucky coal plants. Its nitrogen oxides (NOx) emissions will be 82 percent below the Kentucky coal plant average, and virtually all particulates will be removed. Kentucky emissions data is drawn from the U.S. Environmental Protection Agency environmental database.

At the same time, the latest air quality modeling data shows that the plant will have no significant visibility impacts at Mammoth Cave National Park. Additional modeling performed at the request of the National Park Service indicated only one day in two years of modeling that was slightly above the recommended guideline.

Thoroughbred will use an industry leading application of control technologies that include:

- Low-NOx burners and selective catalytic reduction to remove nitrogen oxides
- Dry electrostatic precipitators to remove particulates as well as some mercury
- Limestone flue gas desulfurization to "scrub" sulfur dioxide and as well as remove some mercury
- Wet electrostatic precipitators to remove fine particulates, sulfuric acid mist and other constituents

The Thoroughbred Energy Campus is a planned 1,500 megawatt coal-fueled electricity generation project near Central City in Muhlenberg County, Ky. The generating plant would

PEABODY RELEASES EMISSIONS DATA - ADD ONE

include two 750-megawatt units fueled by up to 6 million tons of coal per year produced from an adjacent underground mine. It would begin generating power in the 2005 to 2006 timeframe.

"Developing the Thoroughbred Generating Station is in the public interest," said Roger Walcott, Peabody executive vice president for corporate development. "The facility represents a new generation of coal-fueled power plants designed to provide low-cost electricity to meet growing energy needs while continuing to achieve the nation's environmental goals."

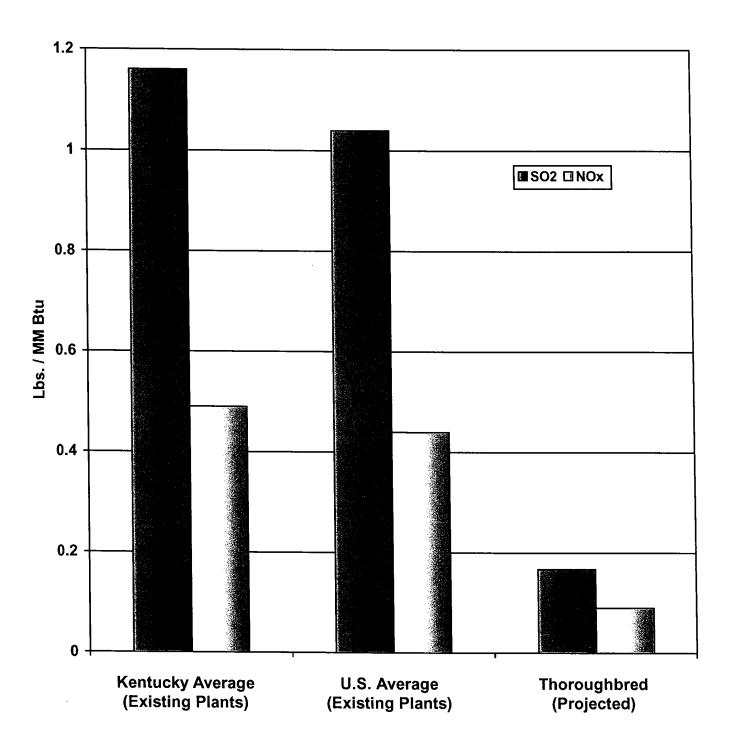
Electricity from the plant will be made available on the grid and delivered to approximately 1.5 million families in Kentucky and elsewhere throughout the Midwest. The plant is modeled to dispatch at a cost that is lower than all of the region's coal plants, all of the region's gas plants and below some nuclear plants.

"Thoroughbred will benefit Kentuckians by continuing to help keep energy prices lower than anywhere else in the nation," said Walcott. "The project balances energy and economic needs with environmental goals using advanced coal technologies."

The project is expected to accelerate economic growth in the region, creating more than 450 permanent high-paying jobs and employing up to 2,500 workers at peak construction. Once on-line, the campus could create more than 450 permanent jobs and deliver enormous local and state economic benefits through wages, benefits and taxes.

Peabody Energy (NYSE: BTU) is the world's largest private-sector coal company. Its coal products fuel more than 9 percent of all U.S. electricity generation and more than 2 percent of worldwide electricity generation.

2000 AVERAGE COAL-BASED EMISSIONS



SOURCE: INDEPENDENT MODELING & U.S. ENVIRONMENTAL PROTECTION AGENCY



Sound Energy & Environmental Progress: Necessary & Compatible

Eastern Coal Council COAL: ENERGY SECURITY CONFERENCE

Dianna Tickner Vice President - Generation Development

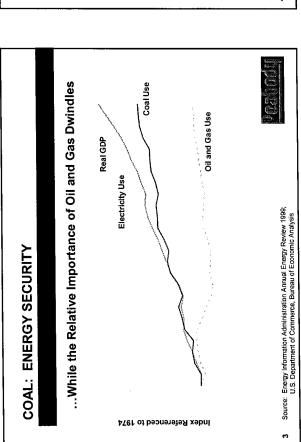
May 21, 2002

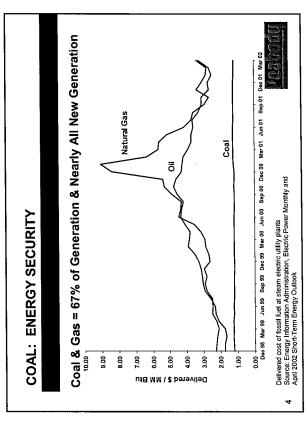
COAL: ENERGY SECURITY

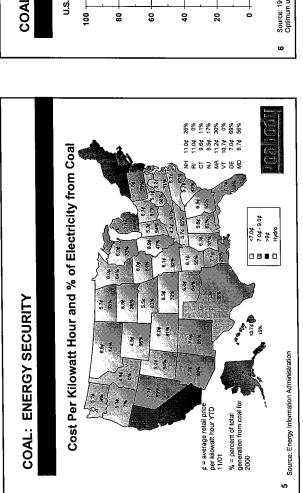
The growing demand for technologies necessarily means America's need for secure, reliable and environmentally friendly electricity is going

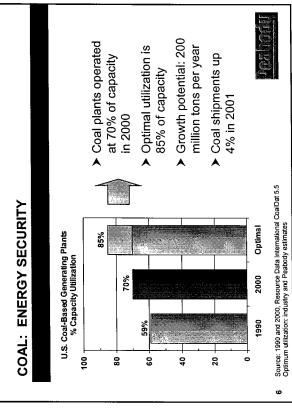
to increase.

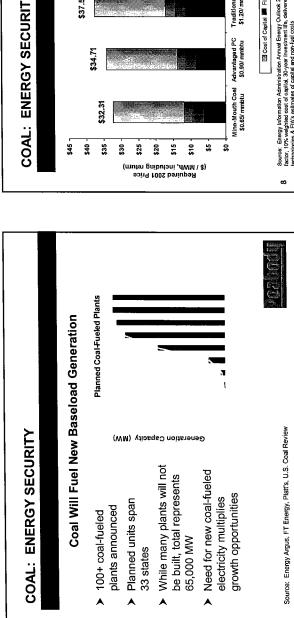
Spencer Abraham September 10, 2001

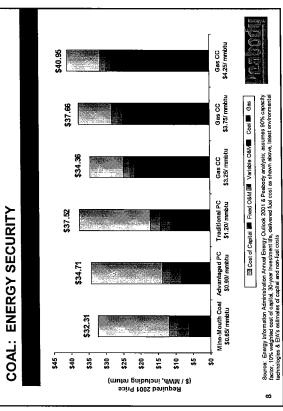












Natural Gas & Coal Show Similarities in 2000 & 2002

NATURAL GAS

➤ 2002 rig count drops 40% from 2001 highs

➤ April YTD production off 4.3% in 2000 & 5.3% in 2002

Geologic & other issues challenge Eastern producers

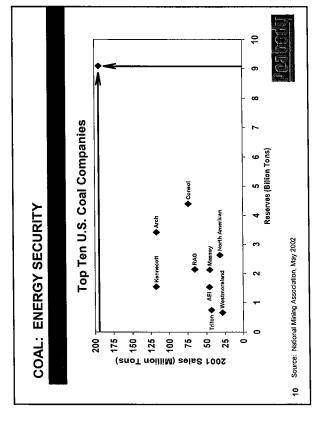
Stockpiles 10% to 20% above normal levels

- Decline rates of shallow Gulf wells reach 50%
- ➤ High storage in early 2002
 - Spot pricing firm in spring shoulder season
- ➤ Increasing demand to serve 60-70 GW of new generation

6

Soft demand in first half of 2000 & 2002 as stockpiles are worked down

Growing Economy & Normal Summer Could Challenge Supplies



Strategy Two: Apply World-Class Sales & Trading Techniques

Peabody's Customer Base Electric Generating Plants Served
 Industrial Plants Served
 Peabody Headquarters ➤ 1 billion ton backlog & contracts to trade around Serving 250 customer locations for geographic & customer issues Strong credit & risk controls ➤ Natural hedge Customers in 11 countries

COAL: ENERGY SECURITY

Grow Core & New Energy Businesses











Aggressively manage reserve &

real estate holdings

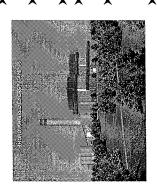
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- ➤ 1,500 MW coal-fueled plant
- 5.6 million ton on-site coal mine ▼ 4,100 acre site in Western Kentucky
- Near river, rail and highways
- Project cost estimated at \$2 billion
- Joint venture company would own
 & operate the power plant & mine
 Expected long-term employment
- 450 for plant and mine
- 1,500 for construction (4 years)
 Targeted to be on-line in 2006
 - Prairie State sister project in permitting in Illinois

5



Thoroughbred Means Low-Cost Electricity for SERC & ECAR Summer Peak 156,088 MW Winter Peak 139,148 MW Summer Peak 139,148 MW Winter Peak 139,148 MW Average Load 97,400 MW Minter Dispatch Analysis Cook SERC - Supply, Demand & Dispatch Analysis Cook SERC - Suppl

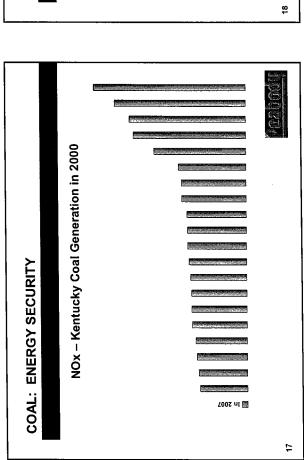
- ➤ Modeled to be cleanest large-scale coal plant east of Mississippi River
- ➤ Sets new BACT standard for pulverized coal unit
 - ➤ Equipped with low NOx burners, SCRs, dry precipitator, wet scrubber & wet precipitator
 - SO₂ limit of 0.167 lbs/mmbtu (98% removal)
- NOx limit of 0.09 lbs/mmbtu (>70% removal)
- Sulfuric mist removal at 98%
- Mercury removal >80%
- Particulate removal of 99.9%
- ➤ Designed to use raw coal

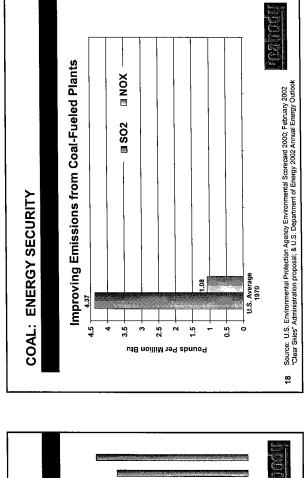
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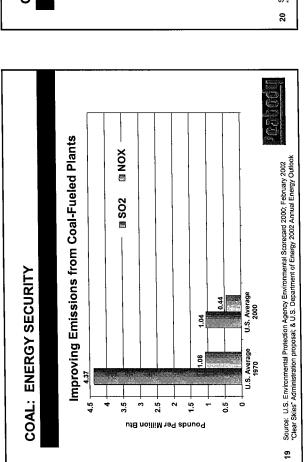


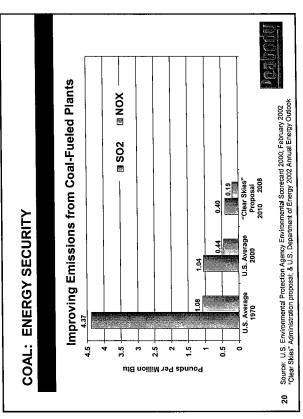
SO₂ – Kentucky Coal Generation in 2000

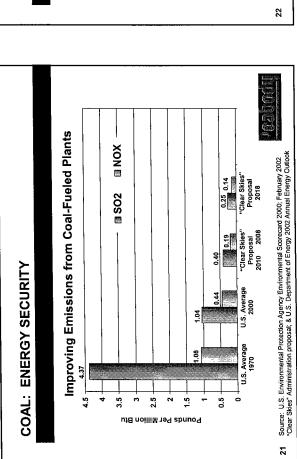
SO₂ – Kentucky Coal Generation in 2000

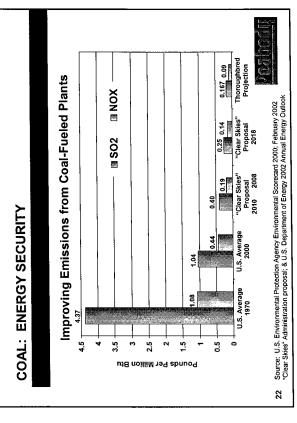












COAL: ENERGY SECURITY

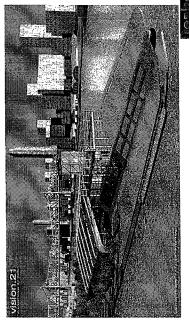
Key Elements for Energy and Environmental Policies

- ➤ Continuous emissions improvements
- ➤ Lower emissions using advanced technologies
- ➤ A diversity of fuels to satisfy increasing electricity demand
- Recognizing that coal comprises 85% of America's fossil energy resources
- ➤ Continue to provide affordable electricity
- ➤ An eventual goal of near-zero emissions



COAL: ENERGY SECURITY





23



Sound Energy & Environmental Progress: Necessary & Compatible

Eastern Coal Council COAL: ENERGY SECURITY CONFERENCE

Dianna Tickner Vice President - Generation Development

May 21, 2002



New Coal Based Generation

University of Kentucky

Vice President – Generation Development April 16, 2002 Dianna Tickner

Owns more than 300,000 acres of land ➤ Largest private coal company in the world

Overview of Peabody Energy

Control 9.3 B tons of reserves

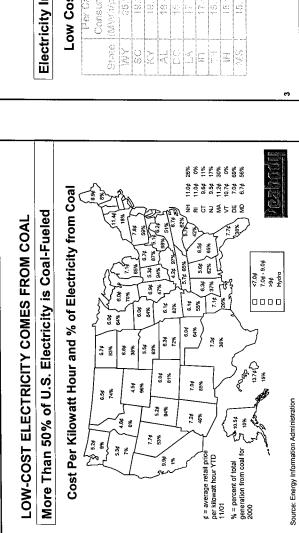
Reserves in major U.S. coal regions

▶ In 2001, Peabody sold coal to 290 electric generating and industrial plants

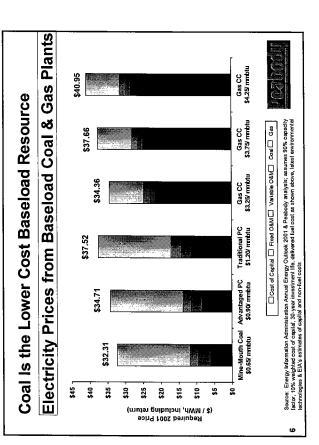
U.S. sales were a record 194 M tons

Peabody fuels more than 9% of U.S. electricity





Low Cost States High Cost States	Par Capitis Addition Consumption - Puser Proce	(Althroperon , constitution	2.55	-77 GS								
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Low Cost States	Consumption Power Price	(MYSTATISTS OR)	25.90	8.25	5.23	\$ 80	7.		f ()	200	17.	(C)
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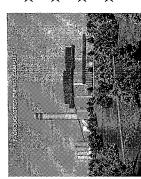


Mine-Mouth Coal Generation Advantages

- ➤ Collapses supply chain no transportation costs & lowers working capital
- ➤ Provides certainty to fuel supply assumptions
- ➤ Creates greater community support
- Most regulatory approvals needed from state and area which receives greatest economic benefit



Thoroughbred Project Background



Western Kentucky plant to be 1,500 MW, twin unit pulverized coal plant, & 5.9 Mton on-site coal mine

4,100 acre site with navigable river, rail and US Highway access

Largest new coal plant in US over last 20 years

Project cost estimated at \$2.5 B, including mine & transmission

Expected long term employment -

475 Power plant and mine jobs

2500 Construction – 4 years

Targeted On-line date in 2006



Thoroughbred Is Clean Coal Technology

Thoroughbred Environmental Performance

Cleanest large scale coal plant east of Mississippi River

Sets BACT level in US for pulverized coal unit

Equipped with limestone injection, low NOx burners, SCRs, dry precipitator, wet scrubber and wet precipitator

 NOx limit of 0.09 lbs/mmbtu (>75% removal) SO₂ limit of 0.167 lbs/mmbtu (98% removal)

Sulfuric mist removal at 98%

Mercury removal 80 %

Particulate Removal of 99.9%

Equipped to burn raw coal eliminating gob & slurry issues ٨

Coal - 9,800 lbs/mmbtu and 8.0 lbs/mmbtu SO₂



Plant Designs

- ➤ Establish a model for plant design & permitting that will be used by other builders of new coal plants.
- ➤ To the extent possible similar designs will be utilized for all plants to reduce engineering and equipment costs
 - Thoroughbred & Prairie State to be near clones, 1,540 MW pulverized coal units, water cooled, burn raw coal
- New Mexico pulverized coal but considerably smaller with air cooling
- Designs intended to optimize costs and environmental performance
 ▶ Plants will have very high availability averaging 89% over the life
- ➤ Thoroughbred will establish new Best Available Control Technology (BACT) standards for air emissions
- Low NOx burners, selective catalytic reduction (SCR), electro static precipitator (ESP), wet imestone scrubber, and wet electrostatic precipitator

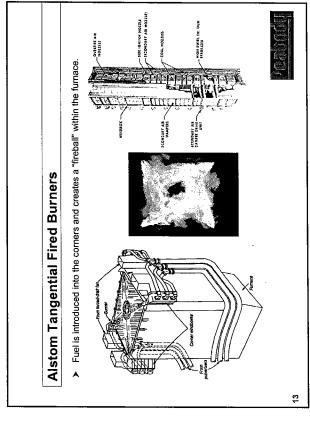


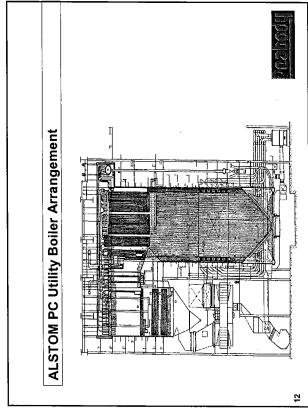
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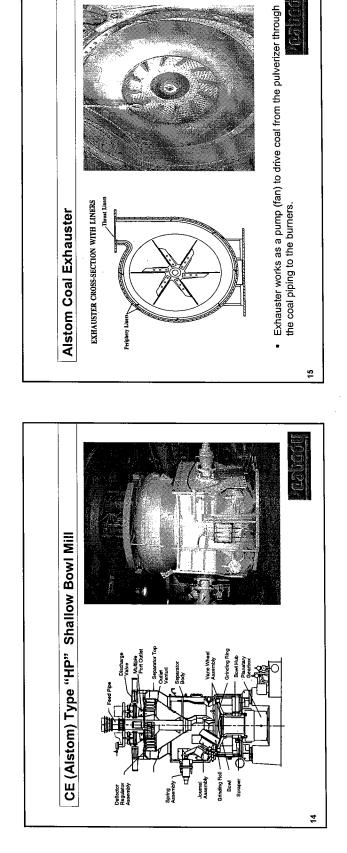
Plant Design

- ➤ Preliminary design includes:
- Two net approx. 779 MW pulverized coal units
- Heat rate 9400
- Substantial with board see and the first
- 8 Feedwater heater 1000F main steam, 1000F reheat steam design
 Substation with both 500 kV and 345 kV transformers
- ➤ One 650' tall stack with two flues
- ➤ EPC contractor will be responsible for all plant design and construction
- ➤ Power Plant constructed cost will be approximately \$1.87 billion, or \$1200/kw
- ➤ Potential savings from design scope changes such as non-enclosed boiler, reduce coal handling redundancy, or limit limestone delivery to rail or barge with truck back-up
- ► Burns & McDonnell "Owners Engineer"









Pulverizers Operation & Performance

NOx Formation & Burner Technology

NOx formation resulting from boiler combustion is primerity influenced by the burner techndogy and the bolier configuration. For pre NSPS technology burners:

.

- ➤ Pulverizers serve two primary functions:
- Grind coal to fineness required to support stable flame and combustion
- Dry coal to assist with transport and firing
- Consequently mill capacity (output) will vary with the type of coal
 - Higher moisture coal (inherent & surface) requires:
- Higher air flow and temperatures for drying
- Higher throughput (tons per hour) to compensate for the heating value loss due to the increase in moisture as a percentage of the
- Item:
- Grinding a higher moisture coal reduces the pulverizer milling capacity but may not necessary reduce total boiler provided that the increased drying requirements do not exhaust the spare capacity designed into the mill



9

100 200 300 400 500 600 700 800 CYCLONE WALL-FIRED WET BOTTOM 20.7 0 5 9 9.0 NOX EMISSIONS (IP/10g BIN)

Tangential fired have the lowest rates

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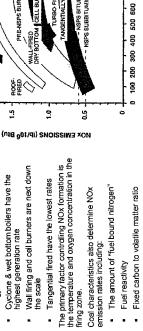
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the scale

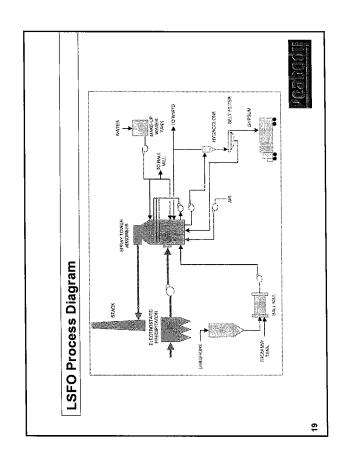
The amount of "fuel bound nitrogen" Coal characteristics also determine NOx emission rates including:

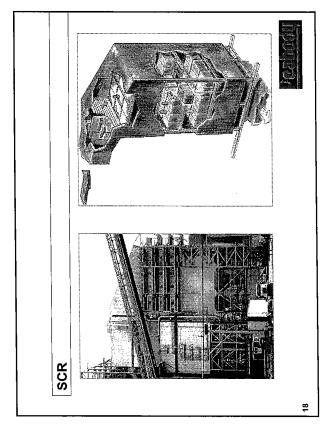
Fixed carbon to volatile matter ratio

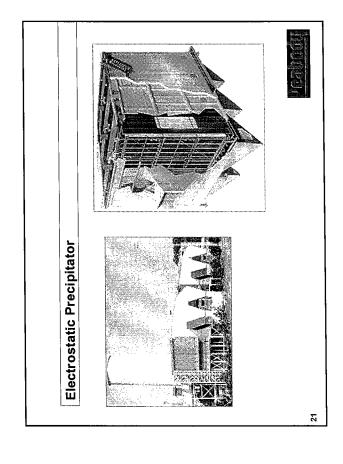
Moisture content Sulfur content

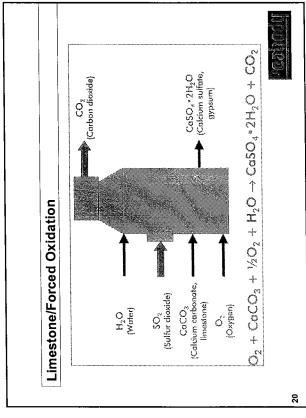


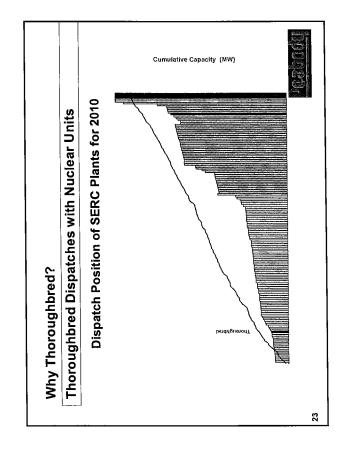


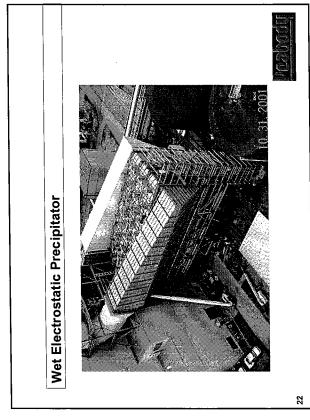












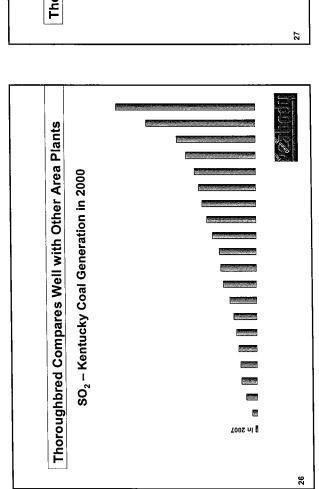
Thoroughbred Is Clean Coal Technology

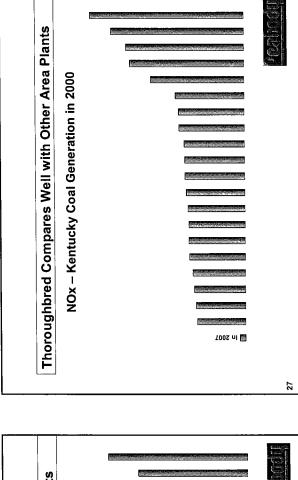
Thoroughbred Environmental Performance

- ➤ Cleanest large scale coal plant east of Mississippi River
- ➤ Sets BACT level in US for pulverized coal unit
- ➤ Equipped with limestone injection, low NOx burners, SCRs, dry precipitator, wet scrubber and wet precipitator
 - SO₂ limit of 0.167 lbs/mmbtu (98% removal)
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 - Sulfuric mist removal at 98%
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- ➤ Equipped to burn raw coal eliminating gob & slurry issues



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ogy	y Ger	NO _x (Ibs/MM Btu)	닖			0.71	0.50	0.09	0.21	
Thoroughbred Is Clean Coal Technology	Emission Rates for US Coal Electricity Generation	(sqj)	<u>NS</u>			0.61	0.44			
al Te	al Ele									
an Co	S Co	מ	3.52	2.49	2.51	1.43	1.16			
s Cle	for U	SO ₂ (lbs/MM Btu)	<u>IL</u> 2.57	3.10	2.99	1.71	0.95	0.167	0.20	
ored !:	Rates	(lbs/sql)	US 1.94	1.75	1.60	1.25	1.04			
oughk	sion F							Thoroughbred Draft Permit	2000 Non-coal	
Thor	Emis		1980	1985	1990	1995	2000	Thoroughbr Draft Permit	2000 N	
										52





Thoroughbred Status

- Executed a Letter of Intent with an EPC consortium to provide a "financable" plant for a fixed price with performance & delivery guarantees
- Working to finalize design and price over next 9 months
- State of Kentucky issued the draft air permit on December 28
- Public hearing held on February 12 in Central City, Kentucky
 - ➤ Public comment period on air permit closed February 28
- ➤ Beginning power sales efforts in the wholesale marketplace



59

Thoroughbred Other Permits

- ➤ Over 20 total power plant permits are required in addition to air
- ➤ Water Withdrawal Permit
- Permit application filed on November 15, 2001.
 - ➤ Ash Disposal Permit
- Ash disposal landfill currently being designed.
 - Longest lead time of all permits
- ➤ Corps of Engineers Permit
- Permit application filed on November 30, 2001
- Required for barge unloading facility and water discharge structure
- ➤ Mine Permit
- New mining permit application will be submitted by Thoroughbred in May 2002
 - Approval expected 9 to 12 months following submittal



Thoroughbred Transmission Status

➤ Ahead of all baseload competitors in the transmission dnene

▶Big Rivers 345 kV tie with reasonable upgrades to LG&E is acceptable for 750 MW

Regional study with LGE, OMU, and TVA now underway to be completed in May 2002

▼TVA began our study in March to be completed end of April, 2002

500Kv line from TVA's Paradise Plant to Montgomery, TN. ➤ Transmission cost of approximately \$135 M

30

Drivers of Future Coal Success

Electricity from Coal is...

➤ ESSENTIAL

➤ AFFORDABLE

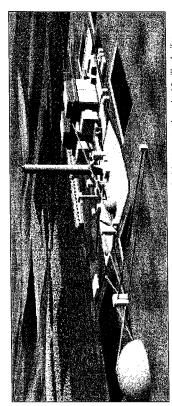
➤ INCREASINGLY CLEAN

원



PULSE |

Energy for the



The planned Prairie State Energy Campus would help meet the energy needs of the 21st century by serving 1.5 million families

Peabody's generation development initiatives will help meet a nation's growing energy needs while balancing environmental goals.

Like no other time in history, the supply and secuting of America's energy system have taken center stage in recent years. Rolling blackouts have dimmed schoolrooms and shopping malls. Gas prices hit record levels. Suburbanites tightened their belts to pape nergy bills that were two and three times higher than the previous year. And world events demonstrated why a safe and protected energy supply is viral to the nation's energy independence. America's energy system is running hard, and new capacity is needed to keep pace.

"With natural gas prices at record levels and California facing the almost constant threat of electricity blackouts, almost everybody was talking about energy last year," says Steve Miller, President of Americans for Balanced Energy Choices, "Despite a recent easing of the energy situation, developing a long-term strategy should be a priority for

policymakens. As a nation, we have demanded more and more energy, but we've falled to bring new generation on-line to meet those growing needs."

The result is what some industry pundits have called the most serious energy crunch since the oil embargo of the 1970s. According to the Energy Information Administration, America's demand for electricity is expected to grow a whopping 43 percent over the next 20 years.

Recent administrations recognize that meeting the nation's electricity demands would require construction of at least 1,300 new power plants over the next 20 years. The President's energy plan earmarks \$2 billion for clean coal research for the next 10 years. And while developing alternative energy sources and conserving energy are part of the vision, the administration calls for more output from coal-based plants, clearly recognizing that coal continues to be essential for America's electricity equation. Coal fuels more than 50 percent of the nation's supply.

"Whatever our hopes for developing alternative course and for conserving energy— and thast part of our plan—the reality is that fossil fuels provide witually 100 percent of our transportation needs and an overwhelming share of our electricity requirements," observes Vice President Dick Cheney "For years down the road, this will continue to be true."

Next Generation

Renewed interest in building baseload generation – and in particular, coal-fueled generation – has been buoyed by a 60 percent increase in electric load growth over the past 20 years while essentially no baseload plants were developed. Nuclear utilization has grown dramatically and today is running at maximum capacity. Hydropower is not expanding and is dependent on annual precipitation. Together, these circumstances have forced the power industry to take a hard look at its future demand and supply balance.

New baseload capacity is needed relatively quickly in many areas of the country, and dozens of energy companies are considering plans for coal-based generation.

Nexty 100 coal-fueled generating plants capable of helivering 63,000 megawatts of electricity have been amonunced or are in permitting and construction phases.

Against this backdrop, Peabody Energy is well positioned to leverage its knowledge and asset base to develop coal-fueled generating plants on the company's property,

"Generation development opportunities are being explored in areas of the country where electricity demand is group and where Peabody has access to land, water, transmission lines, and of course, low-cost coal, says Iti Engelhardt, Peabody Chairman and Chief Executive Officer: "We believe that clean, low-cost electricity from coal will remain the cornerstone of America's long-term coal will remain the cornerstone of America's long-term corners yapply," Peabody, the world's largest coal company, controls 9.1 billion tons of coal reserves and owns more than 300,000 acress of land.

Already, Peabody has begun the modeling, engineering and permitting process for 3,000 megawatis of coal-based generation in Kentucky and Illinois. Together, these two projects would generate electricity for about 3 million Andiewest families. The company also is exploring the feasibility of developing a smaller 300-megawatt generating station in New Mexico.

In February 2001, Peabody unveiled plans for the Thoroughbred Energy Campus in Muhlenberg County, Ky. Six months later, plans for the Prarie State Energy Campus in Washington County, III., wher amnounced. Both projects include a 1,500-megawatt coal-tueled generating station fueled by an adjacent underground coal mine.

Designed with the latest environmental controls for pulverized coal units. Thoroughbred and Prairie State are expected to be among the cleanest and lowest cost coal-fueled plants in the Midwest. And both will offer

outreach programs to local colleges and universities to provide academic research opportunities involving energy and environmental technologies, carbon management or biolitel production.

"Developing new energy supplies requires long lead times," explains Roger Walcott, Peabody Executive Vice President of Corporate Development. "By filing these per mit applications, we aim to satisfy a portion of America's growing electricity requirements beginning in the middle of the decade."

Thoroughbred and Prairie State are expected to begin generation between 2005 to 2007. Both anticipate four-year construction periods, expect to create 450 to 500 permanent jobs each and will provide tremendous economic benefits to their regions. A recently completed economic study shows that Thoroughbred will inject 53.35 billion into Kentucky's economy during the life of the project; Prairie State should have a similar impact. Initial project permitting mine Aevolonnent and

Initial project permitting, mine development and mine operations for both projects are being managed by Peabody. The company plans to secure joint venture partners with complementary skills in generating plant construction, operations and power marketing.

"Events of recent years have taught us that reliable, low-cost energy is essential to our economy, and that energy independence remains a top priority for America," says Roger. "Producing low-cost electricity to aid families, enhancing the nation's security and accelerating economic growth are key teness of Peabody's strategy for meeting the energy needs of the 21st century."



The Thoroughbred and Praine State Energy Campuses are designed with advanced environmental controls for pulverized coal units and are expected to be among the lowest emitting and lowest cost coal-fueled plants in the Midwest.

Peabody Employees and Retirees in Kentucky

March XX, 2002

Dear Name:

I want to update you on development of our planned Thoroughbred Energy Campus, a 1,500 megawatt coal-fueled power plant and adjacent underground mine proposed for Muhlenberg County.

This state-of-the art facility represents energy solutions, economic progress and environmental improvement. Thoroughbred would generate affordable, reliable electricity for 1.5 million households to help meet long-term energy needs and ensure that Kentuckians continue to enjoy the lowest electricity prices in the nation. Thoroughbred would also offer tremendous economic opportunity, employing up to 2,000 workers at peak construction and providing 450 permanent, high-paying jobs. The campus would generate nearly \$700 million in new spending in Muhlenberg County alone. And, it would help drive economic growth throughout Kentucky, injecting \$100 million into the economy each year.

Thoroughbred is modeled to be the cleanest major coal plant east of the Mississippi River. The enclosed graphics illustrate the plant's suite of environmental controls compared to the typical coal plant and show Thoroughbred's superior emissions performance compared to national coal plant averages and proposed emission targets for 2018.

As you may know, Kentucky has granted Peabody pre-approval of our air quality permit for Thoroughbred, and we continue to work with state and federal agencies to turn a great project into a reality. (*Insert sentence referencing future contact*.) Please contact us with guestions or feedback at thoroughbredenergy@peabodyenergy.com.

Once again, thank you for your interest and support.

Sincerely,

Kenneth E. Allen Midwest Operations Manager



PEABODY ENERGY

701 Market Street St. Louis, Missouri 63101-1826 314.342.3400

July 8, 2002

Dear [Local Resident]:

Thank you for supporting our proposed development of the Thoroughbred Energy Campus. I want to provide you with a brief update on our progress.

Thoroughbred represents energy solutions, economic progress and environmental improvement, both for Kentucky and the region:

- Thoroughbred is designed to be the cleanest coal-fueled plant of its size east of the Mississippi River. In fact, thanks to advanced coal technologies, the plant is designed to achieve even lower levels of emissions than required by the Clean Air Act standards.
- Thoroughbred will generate affordable, reliable electricity for 1.5 million households to ensure that Kentuckians continue to enjoy the lowest electricity prices in the nation.
- Thoroughbred will also employ up to 2,500 workers at peak construction most of which will be local – and provide 450 permanent, high-paying jobs. It will generate nearly \$700 million in new spending in Muhlenberg County and help drive Kentucky's economic growth, injecting \$100 million into the economy each year.

As we continue through the permitting process, the state is conducting a second public comment period and a second public hearing. Please send your letters of support to the following address by July 19: Mr. Allan Elliott, Kentucky Division of Air Quality, 803 Schenkel Lane, Frankfort, KY 40601.

Please attend the public hearing scheduled at: 6:30 p.m. (CST) on Thursday, July 25, Muhlenberg North High School cafeteria, 501 189 Bypass Rd., Greenville, Ky.

We look forward to developing a project that we can all be proud of. Please contact us with questions or feedback at ThoroughbredEnergy@Peabody Energy.com. I look forward to seeing you at the public hearing.

Sincerely,

Dianna K. Tickner Vice President Generation Development

State, Local and Federal Government



Kentucky Public Service Commission

THOROUGBRED ENERGY CAMPUS

ENVIRONMENTAL CARE / ECONOMIC PROGRESS / ENERGY SOLUTIONS

February 4, 2002

Overview of Peabody Energy

- ➤ Largest coal company in the world
- Controls 9.3 billion tons of reserves
- Owns 300,000+ acres of lands
- ➤ Long-term Kentucky presence
- Mining and award winning reclamation for half a century
 - ➤ Coal sales to 290 electric generating and industrial plants
- Peabody fuels more than 9% of U.S. electricity
- 2001 U.S. sales set a record at 194 million tons



WHY NEW GENERATION?

Answering Three Basic Questions

Our nation needs new generation

- ➤ Coal and nuclear fuel 70 percent of U.S. electricity
- ➤ Through the 1990s, America use up much of its generation capacity reserves
- Nuclear capacity utilization from 70% to 90%+
- Coal capacity utilization from 59% to 70%+
- ➤ The recent economic downturn and mild weather have masked America's energy needs
- Server farms have become the steel mills of the 21st century

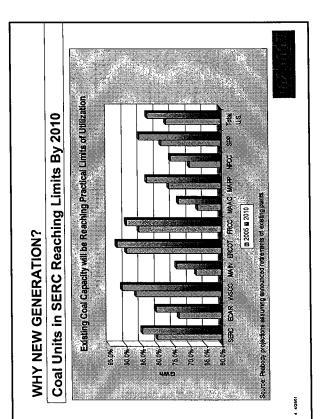




... And debunking a few myths ➤ Why New Generation?

➤ Why Thoroughbred?

➤ Why Coal-Fueled?



WHY NEW GENERATION?

Kentucky is Strongly Positioned to Serve Energy Needs

- ➤ More coal in the Midwest than oil in Saudi Arabia, Kuwait, Iran and Iraq combined
- ➤ Coal creates jobs and economic gains
- ➤ Coal-based generation multiplies the benefits to Kentucky

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WHY ELECTRICITY FROM COAL?

It is Essential, Affordable & Increasingly Clean

➤ ESSENTIAL

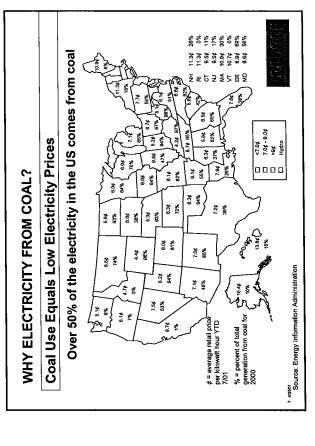
- 250-year supply in the U.S.
- More than 85% of our fossil resource base

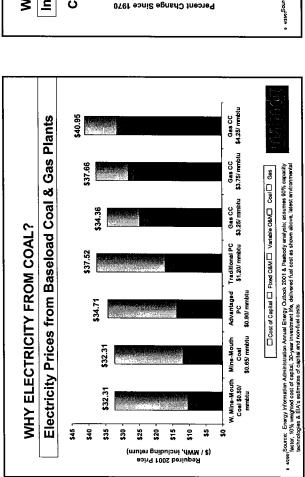
➤ AFFORDABLE

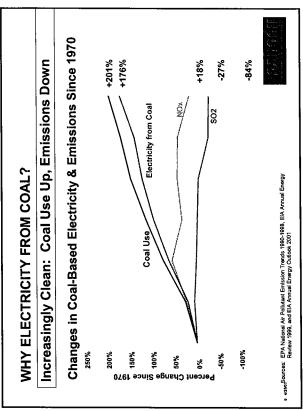
- Coal = low-cost electricity
- Kentucky is everything that California isn't

➤ INCREASINGLY CLEAN

 Coal use has tripled even as emissions continue to decline



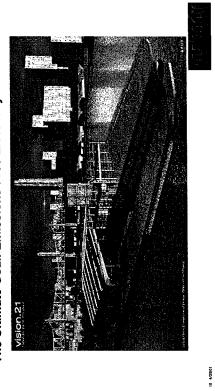




WHY ELECTRICITY FROM COAL?

U.S. DOE "Vision 21" Plant

The Ultimate Goal: Emissions-Free Electricity from Coal



WHY ELECTRICITY FROM COAL?

What Has Changed to Require New Coal Plants

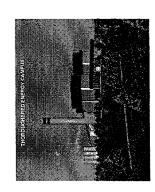
- ➤ Higher than expected electric load growth shifting emphasis from peaking to baseload capacity needs over 2.0% per year
- Weighted average age of coal units is over 30 years
 Events in California and volatility of gas prices drawing attention to the need
- ➤ Increased need for national security and energy independence

11 425/01



WHY THOROUGHBRED?

Thoroughbred Energy Campus Background



➤ Western Kentucky plant will be a 1,500 MW, twin unit pulverized coal plant & 5.6 million ton on-site coal mine

➤ Project cost is estimated to be \$2 billion, including mine & transmission

· Joint venture company will own & operate the power plant & mine

Expected long term employment 115 for generating plant

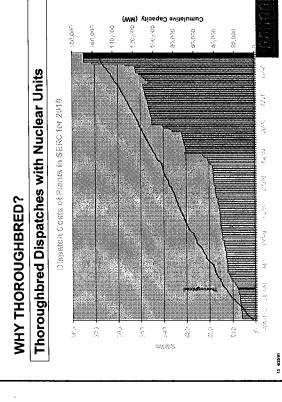
350 for mine

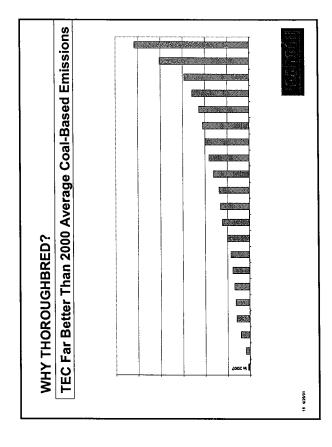
➤ Annual economic impact of \$60 million in direct salaries & benefits

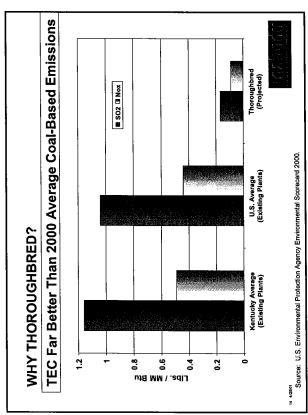
➤ At peak period, more than 1,500 construction jobs

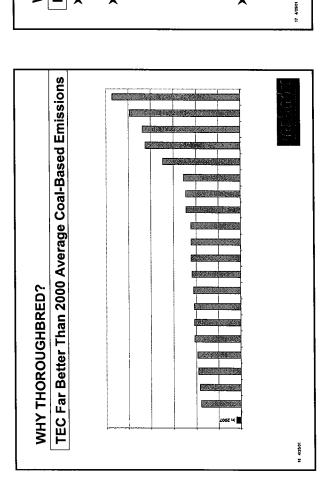
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WHY THOROUGHBRED?

Power Plant Environmental Performance

- ➤ Units modeled to be cleanest coal plant of its size east of the Mississippi River
- ➤ Equipped with low NOx burners, SCRs, wet & dry ESP, wet FGD
- SO2 updated application 0.167 lbs/mmbtu (98% removal)
 - (90% ferrioval)

 NOx filed application 0.09 lbs/mmbtu (>80% removal)
- Sulfuric mist removal at 98%
- Co-benefit of mercury removal in the 70 80 % range
 ➤ Equipped to use raw coal to minimize coal wastes
 - Average Coal: 10,800 lbs/mmbtu and 7.5 lbs/mmbtu SO2

-



DEBUNKING THE MYTHS



Merchant
plants will
turn Kentucky
into an energy
colony...
shipping the
power out of

➤ Thoroughbred represents very low-cost power for in-state use & export

➤ Coal and electricity are valuable resources that, like crops and cars, create huge economic gains for Kentucky

DEBUNKING THE MYTHS



Thoroughbred represents
21st Century technologies
through the latest in
emissions controls

➤ Thoroughbred may set a new standard for best available control technology

"19th Century"

technology

represents

➤ Thoroughbred has as few of emissions as some plants only a fraction of its size





18 4/25/01

DEBUNKING THE MYTHS



Merchant plants will cost existing customers



20 4/25/01

more money

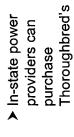
➤ Thoroughbred will pay for all production costs, as well as those for upgrading transmission lines



DEBUNKING THE MYTHS



➤ Thoroughbred is targeting needs in the 2005 timeframe and beyond ► In-state power



generation.

any new

We really don't need clean, low-cost, instate-produced electricity



21 4/25/01

THE BOTTOM LINE...

Thoroughbred: Energy for the Next Generation

- ➤ Jobs and Economic Contributions
- Construction, fuel and generation create large job base
- Coal-based project provides decades of benefits
- ➤ Low-Cost Power
- Avoiding the California Syndrome
- Advancing energy independence
- ➤ Greatly Improved Environmental Performance
- Setting the new standard for coal-based plants

22 4/25/0